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Professional Notes.

RECENT witnesses before the Departmental Committee appointed by the Board of Trade to inquire into the Companies' Acts include Mr. Sidney Pears, F.C.A., on behalf of the Institute of Chartered Accountants, Mr. George Stanhope Pitt, F.S.A.A., President of the Society of Incorporated Accountants and Auditors, and Mr. A. B. Bryden, C.A., and Mr. W. Reid, C.A., on behalf of the Chartered Accountants of Scotland. Mr. H. Lakin-Smith, F.C.A., Birmingham, presented to the Committee the evidence of the Association of British Chambers of Commerce. While the Minutes of Evidence taken before the Committee are only issued at present for official use, it will not be out of place to say that witnesses interested in a Consolidated or Amalgamated balance-sheet for Holding Companies have been having a busy time.

The annual report of the South Wales and Monmouthshire District Society of Incorporated Accountants shows evidence of the vitality of the organisation and the initiative of its executive. There are Students' Sections at Cardiff, Newport and Swansea, all of which are carrying on active work of an educational and social character.

The Japan Society of Public Accountants in its fifth annual report states that a Bill relating to Public Accountants was introduced in the Fiftieth Session of the Imperial Diet, and was passed by the House of Representatives, but not by the House of Peers. It is expected, however, that the time is not far distant when both Houses will pass the Bill.

There appeared in *The Times* recently an able article by Dr. Arthur Shadwell on the "Condition of England—Disillusioned Optimism and the Need of Fortitude," in which he said:—"There is no facile remedy for the present ills, and no government can do much. The root cause is the destruction of wealth by war—wealth gradually accumulated during many decades by work and saving. It can be restored only by the same process, which needs time as well as sustained effort and sacrifice, and would need them all under any system. To pretend that there is any other real cure is mere political quackery. A government can help, encourage, and stimulate the process, besides alleviating hardship, and it can set an example of economy, but the main task must fall upon the people themselves, including all classes, some contributing more by sacrifice, others, differently placed, more by effort. And the spirit needed is neither pessimism nor optimism, but fortitude."

In a recent number of *The Times Trade Supplement*, the question is discussed as to whether recent trade returns and financial statistics point to the fact that Great Britain is living on her capital. That the question should be raised at all is a serious indication of the trend of trade, though it may be hoped that the present stagnation in exports may be overcome in the way indicated by Dr. Shadwell. There can be no question, however, that for the year 1924, when both "visible" and "invisible" exports are taken into consideration, the income available for overseas investments was only £29,000,000 compared with £181,000,000 in 1918, and £154,000,000 in 1922, and £102,000,000 in 1923. The small dimensions of this surplus income would seem to restrict the amount of overseas issues which can be offered on the London market.

The present official financial attitude, placing an embargo on foreign loans and giving discouragement to Dominion loans, arises from many causes relating to the maintenance of the Gold Standard. One of these causes is the comparatively small amount of the country's exportable surplus. On the other hand, there is a school of thought which argues that to place an embargo on overseas issues is to block up

one of the channels by which export trade can be encouraged, and through which the necessary exportable surplus would be created. We must leave the experts to decide which view is more tenable, but it is perfectly clear that the export trade of the country is a vital factor to British prosperity, particularly at the present time, whether that trade is a means or is in some respect a result of financing foreign loans on the London market.

The President of the Board of Trade, in reply to a question recently put to him as to the relation of comparative dividends paid to the prosperity of limited companies, pointed out that no figures applicable to limited companies as a whole were available. At the same time he drew attention to the information published in the *Economist* for recent years. He stated that, according to that publication, dividends paid for the year ended June, 1914, represented a return of about 5.1 per cent. on issued preference capital and of nearly 10.5 per cent. on issued ordinary capital; the corresponding figures for the twelve months ending March, 1925, were 5.4 per cent. and 10 per cent. The President of the Board of Trade added that it would be extremely difficult to found any definite argument upon such a limited set of figures. At the same time we believe they will be of considerable interest to our readers.

The income tax touts are getting more and more daring. A gentleman in Sheffield who describes himself as an "Accountant and Auditor" asks his correspondents why income tax should worry them, and recommends an appeal against an excessive assessment "this year." He then offers to the addressee an audit of his business, with preparation of accounts for income tax on a scale of charges which averages on the annual turnover from 4s. per cent. up to £2,500 and 2s. 3d. per cent. from £9,000 to £10,000, and above £10,000 by arrangement, with varying charges on intermediate amounts. For example, a trader with an annual turnover of £5,500 would pay for the audit of the books and the preparation of the accounts for income tax £9 17s. 6d. against which the business man is exhorted to "consider the saving in tax"!

An important decision in relation to bankruptcy administration was given by Mr. Justice Lawrence on a case stated by the Deputy Judge of the Yorkshire County Court in *re Lister, ex parte Overseers of Bradford v. Durrance*. The special case raised the novel point as to whether a trustee in bankruptcy who went into occupation of onerous property and subsequently disclaimed the property thereby got rid of his liability to pay the rates during the period of his occupation. The question before the Court turned on the interpretation of sect. 54 (2) of the Bankruptcy Act, 1914, which so far as material is as follows: "The disclaimer . . . shall also discharge the trustee from all personal liability in respect of the property disclaimed as from the date when the property vested in him." It was claimed that this only discharged the trustee from such liability as

was incident to the vesting of the property in the trustee and not to any liability such as rates which did not attach owing to the trustee's ownership, but only arose when the trustee went into possession. His Lordship said the whole point was whether the rates in this case were "a liability in respect of the property." He thought they were, and that the Court ought not to restrict the meaning of the words in the section. The result was that the Rating Authority would not be able to look to the assets of the bankrupt for the payment of these rates.

The questions for the opinion of the Court were:—

(1) Whether the respondent was personally liable to pay to the applicants the said rates, or any and what part thereof.

(2) Whether the said rates or any and what part thereof were payable out of the assets in priority to the debts provable in the bankruptcy.

(3) Whether the notice of disclaimer filed by the respondent on June 1st, 1923, operated to determine (a) the personal liability (if any) of the respondent to pay the rates from the date when the premises so disclaimed vested in him, (b) the liability of the estate (if any) to payment in priority.

(4) Whether the applicants have any and what right to rank for dividend *pari passu* with the general body of creditors for the rates.

Questions 1, 2 and 4 were answered by the Court in the negative, and question 3 in the affirmative.

The Court of Appeal has reversed the decision of Mr. Justice Rowlatt in the case of *Collins (Inspector of Taxes) v. The Firth-Brearley Stainless Steel Syndicate, Limited*, which related to the sale of patents at a profit. The decision of the Commissioners is thereby reinstated. The patents were sold or assigned to companies in America, France and Japan, and the Crown claimed that the profits arising therefrom were trading profits and therefore assessable to Income Tax, because under paragraph 3 (a) of the Memorandum of Association the company carried on the trade of acquiring, disposing of and otherwise turning to account, inventions, patents and the like. The company, on the other hand, contended that the sums received were the purchase price of capital assets, and were not assessable to Income Tax as trading receipts or otherwise. The Commissioners decided that the amounts realised were an appreciation of capital and not taxable profits. With this view Mr. Justice Rowlatt disagreed, and held that, as the company was formed to buy and sell patents, the appreciation in the value of the patents was a trading profit and assessable to tax.

The Court of Appeal has now expressed their agreement with the Commissioners. The Master of the Rolls stated in his judgment that on the facts it did not appear that the company wished to part with their rights in the United Kingdom, but only the foreign rights, and it seemed to him that there was abundant evidence upon which the Commissioners could come to the conclusion which they had done

that the profits in question were not annual profits or gains, but an accretion to capital. It was a case of the transmutation of capital assets and not a case of profit and gains, and the fact that the company did not itself manufacture any goods did not affect the case.

The Government has set up a Committee with instructions to devise a scheme for the insurance of debts under the export credit system. The object is to see whether it is possible to formulate a scheme for the issue of policies insuring bills drawn for British goods exported to foreign countries, especially with regard to the risk of non-payment owing to war or political troubles in addition to the ordinary risks of commercial credits. When the Federation of British Industries reported on this matter a short time ago it was suggested that the war risk involved in the policies should be undertaken by the Government by way of a guarantee to the insurance companies. It will be interesting to see whether a satisfactory scheme now emerges.

In reply to a question in the House of Commons, Mr. Churchill stated that the approximate gross receipts of Excess Profits Duty during the three months ended June 30th, 1925, was £2,560,000, and that the repayments for the same period amounted to £2,640,000, leaving a deficit of £80,000. He also stated that the amount of Excess Profits Duty (including Munitions Levy) still in assessment but unpaid was approximately £123,000,000, but it was not anticipated that anything like this amount would ultimately be received.

The Finance Act has now been passed, and the portion relating to Income Tax, Super Tax and Estate Duties is reproduced in another column. In connection with sect. 17, which relates to the assessment of agents acting for foreign principals, it may be interesting to note that the Financial Secretary to the Treasury, in moving the new clause, stated that where an agent acted exclusively for a particular non-resident principal he would still remain liable for the Income Tax of that principal, and the law as it would be amended by the clause would be in accordance with the intention of Parliament when the subject was last dealt with. This means, of course, that the new section will cover general agents, but not sole agents.

The Powers of Majorities.

THE case of the *Industrial and General Trust v. Mann Byars & Co.*, decided recently by Mr. Justice Tomlin, suggests some general observations on the subject of the powers of majorities of classes of shareholders and debenture holders in companies to bind the minority of the same class. The question regularly comes up in reconstructions, and what is involved always is the modification of the rights of the whole class in regard to amount of capital, or reduction in dividend or interest, or wiping out

arrears, or reducing the ranking of the priority or security, or some or all of these combined. In the case referred to, the question was with preference shareholders, and what was proposed was to wipe out three years' arrears of preference dividend and to reduce the rate of dividend from 8 per cent. to 6 per cent. for the future. The preference capital is £480,000, and the arrears of cumulative dividend proposed to be thus extinguished amounted to well over £100,000. The *quid pro quo* was (1) the reduction of the ordinary capital by one-half, and (2) the issue, gratis, to the preference shareholders, of one reduced ordinary share for every twelve and a-half preference shares already held. Under the company's Articles a majority of three-fourths of the votes given at a class meeting binds the whole class. That is the rule also under sect. 120 of the 1908 Act, with the important qualification that the scheme requires the sanction of the Court. It is important to note that even the statutory rule applies, not only to shareholders, but also to debenture holders and other creditors, and that the majority required is three-fourths in value, not of the whole class, but only of those voting personally or by proxy at the special meeting. It is also necessary to have a bare majority in number, and that also is measured, not by the whole class, but by the voters.

In the *Mann Byars* case the opposition to the scheme was conducted by a trust company holding substantial amounts of both preferred and ordinary shares. It was not denied that the necessary majorities had, at least formally, been obtained, but it was contended that the resolutions were invalid on a number of grounds, of which only two will be mentioned here. Indeed, of these two only one is really an objection to the resolutions, for the other is more in the nature of a general observation on the peculiar position of ordinary shareholders in such circumstances as existed in that case. The objection was that a very large number of those who had voted for the resolutions were holders of both preferred and ordinary shares, that these voters, in attending and voting at the meeting of preference shareholders, were thinking of their ordinary holdings first and foremost and all the time, and that they assisted to pass the resolutions, not because these resolutions would benefit the preference shares, but for exactly the opposite reason, that they would injure those shares to the advantage of the ordinary shares; and accordingly the submission was that, in a strictly legal use of the word, the resolutions were a "fraud" on the powers of modification of rights by a majority. It may be in this particular case that the required majority would still have existed even if all those who may be called the compound voters were eliminated, but that is irrelevant on the general question, and it might be otherwise in the next case. For the same reason it is not desired to lay stress on the financial position of the particular company. It is not suggested that circumstances will not alter such cases, but there are also general aspects, and these can be more usefully dealt with.

To begin with, it is to be remembered that a dispute between different classes of shares is essentially a domestic problem. It is not materially different from the questions which may, and do, arise between partners in an unincorporated firm. For the solution one naturally, therefore, in the first place looks to the contract which contains the constitution of the partnership or company, whereas that would be irrelevant in a dispute between the company and debenture holders or other creditors. Every holder of any class of shares, whether taken on allotment or acquired in the market, must be assumed to have read the contract—in this case the Articles of Association—and to have knowingly elected to be bound by it. Even if no special clause was put in on this subject, that only means that sect. 120 of the 1908 Act applies, and again the shareholders are assumed to have known of its existence and terms and to have accepted it. In neither case is there anything which could possibly suggest that the two classes of shareholders, or the two bodies of voters, must be materially exclusive. It is interesting to note that the objectors themselves held both classes of shares, though their preference holding was considerably larger than their ordinary holding. The objectors were a trust investment company, and we are nowadays familiar with the stock of such concerns being issued on the basis that each allotment shall, when fully paid, be split into preference and ordinary in equal or unequal proportions.

It is certainly not axiomatic that there is any duty, legal or otherwise, on a shareholder of both classes, to use his vote at the preference meeting with a sole eye to the sectional interests of that class, and regarding the ordinary holders as *ex officio* the enemy; and *vice versa*. Indeed, one may go further and say that such a course of conduct would bespeak a narrow-minded view, and would savour of a lack of a full and enlightened conception of, and regard for, the well-being of the company as a whole and as one concern. We should suggest that view with reference to any shareholder; but it appears stronger in some special cases. Take, for instance, executors, or anyone else holding subject to fiduciary and equitable interests, is it to be said that when they attend the preference meeting they are bound, or even entitled, to forget the effect which their vote may have on their ordinary shares, and *vice versa*? One may go much further than that, and may ask if it has been considered whether it is not reasonable to infer that the special virtue attaching to preference shares, that the holding of them may be used to buttress the ordinary shares, is not a separate factor of appreciation of the value of the preference shares? There is also the difficulty of entering into the mind of a voter to ascertain what has moved him, and the fact that the law does not take stock of motives, at least not in its civil jurisdiction. But we prefer not to take refuge under any obstructive defence or defiance of that kind. Even assuming an admission, or boast, by the voter that he was using his vote in the one class to aid his holding in the other class, what is wrong in that? Would not any sensible tribunal draw that

inference in the case of anyone whose interest in the voting class was less than his interest in the other class? And does not that go far to show that it is altogether natural and proper, and exactly as was intended from the beginning?

Then in all such cases there is room for comparison between what the respective classes are surrendering. Take in the *Mann Byars* case, simply as examples of the common case, the cancellation of arrears of dividends on the preference shares on the one hand, and the cancellation of one-half of the ordinary capital on the other hand. To begin with, it is now ascertained that "arrears" of a cumulative preference dividend is a misnomer, for dividends, whether preference or ordinary, can be paid out of profits only, and so the "arrears" have no existence even as a legal right, unless and until available profits are in future earned, and then if the "arrears" are paid, they will be, not arrears at all, but all dividend of the year in which they are cleared off. That puts rather a different aspect on it. No doubt something is being given up; but it is not existing property, or even a future certainty, but merely a future contingent possibility. Putting it otherwise, there is a very real sense in which the loss has already been incurred, and manifestly so far as that is so, it cannot be lost again by any scheme of arrangement. Take capital at £100 and "arrears" at £24, what would be the market appraisal? In other words, to what extent would the quotation fall on the extinction of this contingent reversion?

Passing to the alleged sacrifice by the ordinary shareholders of one-half of their capital, we have never seen this side of the position so clearly stated as it was by Mr. Justice Tomlin in the *Mann Byars* case. His Lordship said:

"It may be strictly true that, where the ordinary shareholders are entitled to all surplus profits, it is immaterial whether the ordinary shares are of the nominal value of £10, or £1, or 10s., so that in this sense the ordinary shareholders may be said to be giving up nothing."

This argument is heard most strongly where the arrangement has reference to debenture debt, and where it is proposed that part of the principal of that debt be cancelled, and also part of the share capital, which for this purpose may be assumed to be all ordinary. Then it is always urged that what the creditors sacrifice is sacrificed in substance and is gone for ever, but that the pretended sacrifice by the shareholders is a sham, for they all along have been, and are to continue to be, the sole residuary legatees, and so they will sweep up all future prosperity, and will do so equally exhaustively, whether the future denomination of the £100 shares is to be £1, or 1s., or 1d. Contentions of this order found little favour with Mr. Justice Tomlin, and in an earlier case Lord Dunedin stigmatised them as "desolating logic." The real test is, what do business men think of the proposals? and the Courts will assume that they knew their own interests best. It is to be remembered that minorities have their duties as well as their rights.

To some extent the position of debenture holders is different, in matters of this kind, from that of

preference shareholders. Sect. 120 of the 1908 Act applies the majority rule to them also, and special conditions in the same direction are regularly inserted in trust deeds. This is substantially just what may happen in the bankruptcy of a firm or of an individual, though, so far as we know, it is only in the case of a company that creditors can be sealed down without bankruptcy proceedings. But special securities can be exacted, and we remember one case in which there were allotted to the debenture trustees a handful of ordinary shares with a huge voting power, calculated and intended to control the company so long as the debenture issue was unredeemed. So far so good, but that voting power would need to be exercised in accordance with the wishes of a certain majority of the debenture holders, and it would always be possible to allege, and it might be the fact, that certain of the creditors were also shareholders, and that they were using their voting power as creditors in the interests of their shares of the company's capital to the prejudice of the debenture debt. And again we ask—why not?

Companies and Bills of Sale.

A BILL OF SALE is an assignment of personal chattels giving a title without delivery. In its ordinary meaning it is a document under seal "which is given where the legal property in goods passes to the person who lends money on them, but the possession does not pass" (*Mills v. Charlesworth* (1890) 25 Q.B.D., at p. 424). Personal chattels do not include shares or interests in the capital or property of incorporated or joint stock companies (sect. 4 of the Bills of Sale Act, 1878).

The first Bills of Sale Act was that of 1854, for preventing frauds upon creditors by secret bills of sale of personal chattels, whereby persons "were enabled to keep up the appearance of being in good circumstances and possessed of property." By sect. 1, bills of sale of personal chattels were to be filed with an officer of the Court within 21 days, otherwise the same were to be void as against assignees in bankruptcy, or under any assignments for the benefit of creditors, and as against sheriffs seizing in execution any property comprised in any such bill, so far as regarded any such property left in the possession of the person making the bill. The Bills of Sale Act, 1866, provided for the renewal of registration once in every period of five years. These two Acts were repealed by the Bills of Sale Act, 1878, which was amended by the Bills of Sale Act (1878) Amendment Act, 1882. These two later Acts substantially embodied the main principles of the Acts of 1854 and 1866. The Act of 1878 was passed for the protection of creditors in order that persons may be prevented from obtaining credit when in the apparent possession of goods which were the property of another person, and applies to absolute bills of sale, *i.e.*, where there is an absolute parting with the property by the grantor who has no right of redemption. The Act of 1882 was passed

for the protection of debtors, as it was found that persons in impecunious circumstances were often induced to sign documents without appreciating their nature or meaning, and applies to conditional bills of sale given as security for the payment of money, *i.e.*, the grantor has a right to have his property re-conveyed to him upon the performance of the condition stated therein, *e.g.*, upon the payment of money borrowed, with interest.

A mortgage debenture, which includes personal chattels, is within the ambit of the definition of "bills of sale" in sect. 4 of the Act of 1878 and sect. 3 of the Act of 1882.

The question arises how far the Bills of Sale Acts apply to limited companies, which may be answered shortly by stating that absolute assignments of chattels by a company require registration under the Acts, but assignments for securing loans do not. The chief question which determines this depends on the consideration of what a "person" is. Sect. 19 of the Interpretation Act, 1889, *i.e.*, passed after the Acts of 1878 and 1882, provides that "in every Act passed after the commencement of this Act the expression 'person' shall, unless the contrary intention appears, include any body of persons corporate or unincorporate." It is, therefore, of importance to consider what interpretation was given to the word "person" before 1889, and whether a corporation (including a limited company) was a person depends upon the consideration of the objects of the statute enacted. In *Pharmaceutical Society v. London, &c., Supply Association* ((1880) 5 App. Cas., 857) Lord Selborne said: "There can be no question that the word 'person' may, and I should be disposed myself to say *prima facie* does, in a public statute include a person in law, that is, a corporation as well as a natural person. But although that is a sense which the word will bear in law, and which perhaps ought to be attributed to it in the construction of a statute unless there should be any reason for a contrary construction, it is never to be forgotten that in its popular sense and ordinary use it does not extend so far. Statutes, like other documents, are constantly conceived according to the popular use of language; and it is certain that this word is often used in statutes in a sense in which it cannot be intended to extend to a corporation." In this case the company which was a limited company under the Companies Acts, 1862 to 1867, was held not to be a person.

The Statute of Frauds Amendment Act, 1828, provides that a written Memorandum is necessary to the validity of certain promises, and sect. 6 of that Act provides that an action is not maintainable against any person of representations of character unless in writing; and *Hirst v. West Riding, &c., Banking Company* ((1901) 2 K.B., 560), decided under that Act, held that a "person" included a limited company. A body corporate cannot be convicted as rogues and vagabonds under sect. 41 of the Lotteries Act, 1823 (*Hawke v. Hulton* (1909) 2 K.B., 93). In *Pearks, Gunston & Tee v. Ward* ((1902) 2 K.B., 1) it was held that a limited company could be convicted of an offence under sect. 6 of the Food and Drugs Act, 1875, which

provides that a person who sells any article of food not of the nature and substance demanded by the purchaser shall be subject to a penalty; and in *Willmott v. London Road Car Company* (1910) 2 Ch., 525) it was held that a limited company may be a "respectable and responsible person" within the meaning of a covenant by a lessee not to assign without the consent of the lessor (such consent not to be withheld in the case of a "respectable and responsible person").

In *re Cunningham & Co.* ((1885) 28 Ch.D., 682) it was held that where a security on goods with possession is given the security is valid without registration. Mr. Justice Pearson said: "A bill of sale by a company must be as much within the mischief (i.e., ambit) of the Act as a bill of sale by a private individual. Sect. 17 of the Act of 1882 contains these words—'Nothing in this Act shall apply to any debentures issued by any mortgage, loan, or other incorporated company, and secured upon the capital, stock, or goods, chattels and effects, of such company.' Now, if bills of sale executed by companies generally were entirely out of the Act, that clause was absolutely unnecessary and useless, and therefore, as far as that objection goes, the bill of sale is not rendered a good bill of sale simply because it was given by a company."

A bill of sale may be given or taken in the incorporated name of the company (*Shears v. Jacob* (1866) L.R., 1 C.P., 513); and where chattels were assigned to a company which consisted of two persons only, it was held that the assignment enured for their benefit (*Maugham v. Sharpe* (1864) 17 C.B.N.S., 443); so a bill of sale to "The Bank of London, of a given address, of which the said bank A.B., of the same place, is the sole proprietor," was held sufficient (*Simmons v. Woodward* (1892) A.C., 100); but a transfer, by the mortgagee, of a charge on chattels given by an incorporated company does not, it is said, confer a valid charge on the chattels or upon the debt secured, unless the formalities of the Bills of Sale Acts are complied with (*Jarvis v. Jarvis* (1893) 69 L.T., 412). A company is sufficiently described by its incorporated name as of its principal office (*Shears v. Jacob*, ante).

When there are two attesting witnesses, the bill of sale will be invalid unless both are described in the affidavit (*Pickard v. Marriage* (1876) 1 Ex.D., 364); but where a bill of sale was executed under the common seal of a trading company, and opposite the seal were set the names of two of the directors, and the document was countersigned by the secretary, who in the affidavit of execution stated that he saw the bill of sale sealed with the seal of the company and countersigned by two of the directors whose signatures appeared subscribed thereto, the affidavit was held sufficient without giving a description of the directors whose names appeared on the bill of sale (*Shears v. Jacob*, ante).

In *Jenkinson v. Brandley Mining Company* ((1887) 19 Q.B.D., 568) it was held that the words "or other incorporated company" in sect. 17 were limited to companies *ejusdem generis* with mortgage or loan companies. If it were not so, Mr. Justice Grove

said, "a company would be enabled entirely to evade all the wholesome requirements of the Bills of Sale Acts, and if they wished to obtain goods and avoid paying for them they would only have to issue debentures to anyone they pleased and get the holders to set up their claims against those of the genuine creditors. Such a state of things would be a manifest injustice." This decision was dissented from in *re Standard Manufacturing Company* ((1891) 1 Ch., 627), where it was held that debentures of a limited joint stock company creating a charge on the floating real and personal property of the company are expressly exempted from the operation of the Act of 1882 by sect. 17, and that the mortgages or charges of an incorporated company for the registration of which provision has already been made by the Companies Clauses Act, 1845, or the Companies Act, 1862, are not, upon the true construction of the Act of 1878, bills of sale within the scope of that Act. Prior to this case it was generally understood that debentures which charged personal chattels were bills of sale, and that debentures were only exempted from the operation of sect. 17 of the Act of 1882 where issued by mortgage or loan companies. In this case the company had issued debentures charging by way of floating security all its property—such securities were not registered as bills of sale. The Court of Appeal held that these securities were not void for want of registration for the reasons stated above. The Companies Act, 1862, only provided for a register of charges to be kept by every company, open for inspection by any creditor or member of the company, and non-registration did not render the charge invalid, but only brought penalties upon the officers.

Mortgages or charges created by a company after July 1st, 1908, created or evidenced by an instrument which, if executed by an individual, would require registration as a bill of sale, now require registration under the Companies Act, 1908. Non-registration renders the mortgage or charge void against the liquidator and creditors of the company (sect. 93 (1)).

In *Great Northern Railway Company v. Coal Co-operative Society* ((1896) 1 Ch., 187), followed by *re North Wales Produce, &c., Society* ((1922) 2 Ch., 340), it was held that a debenture which is issued by an industrial society incorporated and registered under the Industrial and Provident Societies Act, 1893, charging all the property present and future of the society in general terms, but not in the statutory form of a bill of sale, although part of the property so charged consisted of "personal chattels," is not exempted by sect. 17 of the Act of 1882 from the requirements of the Act of 1878, but is valid with regard to all property charged, except the personal chattels, the security being severable, although the personal chattels and the rest of the property charged are not separately described. But debentures of a limited company registered abroad, creating a charge on floating or real and personal property of the company, are exempted from the operation of the Acts of 1878 and 1882 by sect. 17 of the latter Act (*Clark v. Balm, Hill & Co.* (1908) 1 K.B., 667).

Among the bankruptcy rules not applicable to the winding up of companies is the avoidance of unregistered bills of sale as against the trustee in bankruptcy.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held in the Council Chamber, 50, Gresham Street, London, E.C., on Thursday, July 16th, when there were present:—Mr. G. S. Pitt (London), President, in the chair; Mr. Thomas Keens (Luton), Vice-President; Mr. W. Bateson (Blackpool), Mr. D. E. Campbell (Wolverhampton), Mr. W. Claridge, M.A., J.P. (Bradford), Mr. J. M. Fells, C.B.E. (London), Mr. R. Leyshon (Cardiff), Sir James Martin, J.P. (London), Mr. H. Morgan (London), Mr. C. Hewetson Nelson, J.P. (Liverpool), Mr. J. Paterson (Greenock), Mr. W. H. Payne (London), Mr. A. E. Piggott (Manchester), Mr. G. E. Pike (London), Mr. J. Stewart Seggie (Edinburgh), Mr. A. Standing (Liverpool), Mr. P. Toothill (Sheffield), Mr. A. H. Walkey (Dublin), Mr. F. Walmsley, J.P. (Manchester), Mr. F. Ogden Whiteley, O.B.E. (Bradford), Mr. W. McIntosh Whyte (London), Sir Charles H. Wilson, LL.D., M.P. (Leeds), and Mr. A. A. Garrett, B.Sc., Secretary.

Apologies for non-attendance were received from Mr. E. W. E. Blandford (London), Lieut.-Colonel J. Grimwood, C.B., D.S.O. (London), Mr. R. Smith (Newcastle-on-Tyne), Mr. W. T. Walton, J.P. (West Hartlepool), and Mr. A. E. Woodington (London).

DISTRICT SOCIETIES.

The Council received and adopted a report of a conference of representatives of District Societies with members of the Council, making recommendations for the improvement of District Society organisation.

PRELIMINARY EXAMINATION.

It was resolved to accept in lieu of the Society's Preliminary examination the respective school certificates issued by the Ministry of Education for Northern Ireland and the Ministry of Education, Irish Free State.

CELEBRATION OF 40TH ANNIVERSARY.

A report was received that the Lord Mayor of London had been kind enough to grant the Society the use of the Mansion House for a dinner on Tuesday, October 27th, to celebrate the 40th anniversary of the Society's incorporation. The arrangements were placed in the hands of a Special Committee.

COMPANY LAW AMENDMENT.

It was reported that evidence has been forwarded on behalf of the Society to the Company Law Amendment Committee, and would be tendered personally by the President.

SOUTH AFRICAN COMMITTEES.

By invitation of the Council, Mr. Alexander Aiken, F.S.A.A. (Johannesburg), a member of the Society's South African Committee, Eastern Branch, was present at the meeting and addressed the Council in regard to the position of the Society and the Profession generally in South Africa. The Council passed a cordial vote of thanks to Mr. Aiken for his attendance.

SCOTTISH BRANCH.

The Vice-President reported on his recent visit to the Scottish Branch, when he was received and entertained by the members both in Glasgow and Edinburgh.

A large number of new members were elected and other important business transacted.

Accountancy as an Aid to the Solution of Social Problems.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London; also at Edinburgh before the Chartered Accountants' Students' Society, and at Cardiff before the South Wales and Monmouthshire District Society of Incorporated Accountants, by

MR. J. M. FELS, C.B.E.,
INCORPORATED ACCOUNTANT.

The chair at the London Students' meeting was occupied by Mr. W. MCINTOSH WHYTE, Incorporated Accountant.

MR. FELS said: I propose to depart somewhat from the normal procedure at meetings of members of our profession, and refraining from dealing with any particular branch of accountancy or with its operative technique, invite your attention to the differences between rudimentary accounting and scientific accounting, and also to the comparatively limited area in which the latter is at present employed, and to some of the social services to which its extension in use could be applied.

As, to use the Shakespearean simile, "the dyer's hand is subdued to that it works in," so practitioners immersed in daily or special problems may not always have in mind the extent to which accountancy is, and the greater extent to which it may be, of social service in the elucidation of some of the problems which arise in communities. If we realise what accountancy has done, and is doing, what are its promises, its possibilities and its potencies, proper professional pride in our vocation will be augmented.

Such realisation will also be an additional incentive to perfect and develop the many sided cultural equipment which gives zest to life and makes the performance of professional duties a pleasant pastime, and one of the chief purposes, though not the sole purpose, of life.

Life is rendered endurable and enjoyable by activities which Herbert Spencer classified as firstly and secondly, those which directly minister to self preservation or, by securing the necessities of life, indirectly minister to self preservation; thirdly, those which have for their end the rearing and discipline of offspring; fourthly, those involved in the maintenance of proper social and political relations; and fifthly, those miscellaneous activities which fill up the leisure part of life and are devoted to the gratification of the taste and feelings.

Self development consists in holding these activities so far as can be in relative equipoise, but the visualisation of life as a mere money making game is to ignore what Carlyle would describe as a fundamental verity, for the main end of life is to live and find pleasure and happiness in living, and obtention of a livelihood merely as a means to that end.

It is not possible to live without the means of livelihood, but it is possible to have the means of livelihood without really living.

RUDIMENTARY ACCOUNTING.

The tools of accountancy originate in numerical notation. Numbers, like alphabets, are a common possession, figures and letters, or their symbolical representations, in primary form entering into most transactions in every day life, and for individual purposes being used by all capable of rudimentary accounting.

This limited use of notation, however, is remote from that skill required in the use of figures to which Dr. Johnson, in his preface to Rolt's "Dictionary of Commerce," alludes in the statement "The counting-house of an accomplished merchant is a school of method wherein the great science may be learned of ranging particulars under generals, of bringing the different parts of a transaction together, and of showing, at one view, a long series of dealing and exchange." Since that description was penned the domain of accountancy has been continuously enlarged through causes references whereto do not fall within the province of this address.

DEFINITIONS OF ACCOUNTANCY.

Accountancy in general terms has been defined as being the science by means of which all operations, so far as they are

capable of being shown in figures, are recorded and their results ascertained and stated.

The end and aim of accounting is, as I understand it, with as great an exactitude as possible to quantify values, and obtain relative comparisons between them, to measure industrial economy and economic forces as affecting production and distribution, and to demonstrate the results of economic tendencies as regards the community and its group of constituent members.

Despite the invaluable help it affords in its more elementary form to those who merely desire a financial gauge, if accountancy confines its attention to quantitative measurement merely, and neglects qualitative analysis, its utility is much restricted for the purpose of social service and industrial progress.

It is the mode and the manner and the method in, and by, which transactions are accurately recorded that differentiates the accountant from those who use figures in an ordinary way.

Accountancy is thus one of the most general of the sciences touching life at nearly every point. As regards technique, however, it is in practice one of the most specialised.

HIGHWAYS AND BYE-WAYS.

If this view of accountancy be correct, travellers on its highways may find some pleasure, profit and recreation in occasional consideration of the bye-ways which connect it with the open roads along which pass those engaged in other vocations.

All departments of human activity are co-related, and particular economic facts made manifest by accounting have a more or less close relation to other economic facts as affecting the life of the individual, the community, or sections thereof.

Nearly all political questions are at bottom economic, and nearly all economic questions are at bottom statistical, and statistics are based on accounting more or less accurate according to the accounting ability of the compiler.

It is therefore to the accountant that workers in the realm of social science—the actuary, the statistician, the sociologist, the economist—should look for the quantitative and qualitative measurement records on which they in turn base their general and less verifiable conclusions. The roads travelled by these social scientists should converge toward the solution of the numerous difficult and intricate problems which arise in large communities.

Resort has to be had primarily to the accountant for the supply of data from which, by re-arrangement and in combination with data obtained from other sources, conclusions are arrived at which are capable of present or future application for some definite purpose or which, with other data, form the basis for other research.

The results are of lessened value, or may be misleading, if the original work of calculation and computation has been performed carelessly or inefficiently, without regard to its synthetical or analytical aspects or desire to maximise the utility of the information conveyed.

The accountant and the actuary till many fields jointly. The accountant certifies the past or present fact. The actuary projects his vision into the future and, as a scientific guesser, predicts arithmetical and mathematical probabilities. The accountant certifies facts in their rigidity; the actuary, on the other hand, estimates with elasticity the effect of a complex combination of diverse facts, and therefrom draws general conclusions which, inaccurate if applied in detail, are by the balancing of error accurate in the main.

Under present circumstances, and pending closer co-operation between statisticians and accountants, statisticians in many cases accept administrative statistics having a historical or purely official origin, and which are often prepared to bring out certain factors more prominently than others, and at the sacrifice of relativity.

The sociologist, by segregation and qualitative analysis, ascertains the actual and relative positions in administrative, industrial and domestic life of sections of society. The basis of knowledge of domestic life must in the main be the investigation of individual cases and particular facts, the collation and comparison of them when obtained, the observation of the origin of difference and of agreement, with consideration of the special or general causes operative in the results.

ECONOMIC FOUNDATIONS.

In Western Europe, in the United States of America and in certain other countries, the present foundations of society, though interlaced and interwoven with local and racial prepossessions which may modify thought and produce apparent divergence in action, are in the main economic, and in the main identical.

Whilst these national or racial prepossessions cannot, at present, in their effect on national action be measured with exactitude, knowledge of the purely economic factors afford some guide to the measurement of motive.

Our knowledge of the economic facts of life in an industrial society is not profound, and in the elucidation of them in earlier stages accountancy has to bear the largest share.

INDUSTRIAL ECONOMICS.

In recent years there has been a certain amount of exploratory work in industrial economics. Such exploratory work has been confined almost exclusively to questions of production. The information thus obtained for those managerially interested in productive or manufacturing operations has been of great service in improving and cheapening production. The information we already have, and the wider and more detailed information it is possible to obtain under a system of scientific accounting, and particularly under that branch of it which is concerned with costing, should be more widely utilised as a guide and an aid to the solution of our economic problems.

In a lecture delivered at Owens College on "The Enlargement of Economics," Sir William Ashley said that political economy would have to include a much more objective survey of the actual facts of commercial and industrial activity, and that by the side of this widened "political economy"—a science which looks at the interests of the whole society as organised in the State—there must be created something that provisionally he would call "business economics" which frankly took for its point of view the interest of the individual man or business concern.

In Sir William's opinion "the problem of cost accounts, which is attracting more and more attention in the business world, is hardly one that can be left entirely to the accountants. For it is fundamentally a question, not of technique, but of policy—not how to get certain figures, but what figures to try to get and how to combine them. It is a problem, besides, on which accountants are at present by no means agreed among themselves, even as to general principles. Granted that cost accounts ought to be prepared (both of the nature of records and of the nature of estimates), the question at once arises: What is to be included in cost?"

It is coming to be realised that the dead, fixed or common charges—the charges which are incurred with little change so long as a business is running, whatever (within certain wide limits) the output may be—that these must stand in the very forefront of a business manager's mind in settling his policy for the season. Often the disagreeable alternative is simply, as one great business man has said, "whether to lose money by taking orders at prices which provide no contribution to dead expenses, or, by refusing orders, to lose money by the dead expenses which remain to be met."

Inasmuch as the dead or common charges have to be distributed or allocated in certain ways (and as to the principles and methods of this there is plenty of room for discussion) over the other costs—whether these latter are grouped together as "prime cost" or not—it follows that all costs must be placed under one or other of these two heads or under subdivisions of them, and here there reigns an amount of diversity of theory and of practice, especially as to the necessary differences due to difference of conditions.

In the sense of the political or social economist, interest is a part of the cost of production, because if society wants to continue to receive some particular product it must, "in the long run," pay for the use of the capital necessary for its production. But to the business man cost means the expense necessarily involved, either physically or legally, in a piece of production "in the short run."

Since this lecture was delivered there has been great improvement in the technique of cost accounting, but further and greater improvement is, however, requisite if we desire to maximise the benefit derivable from this comparatively new branch of accountancy.

We still have to recognise the validity of Sir William's reminder that accountants are by no means agreed amongst themselves as to general principles in costing.

There is much need for clarification of the meaning of terms used in accounting, and for co-ordination of terminology, so as to prevent that misuse of words which is so fruitful a source of error and misunderstanding.

WHAT ARE PROFITS?

One may instance the term "profits" as an example of the misuse of words and phrases of which by constant repetition, the man in the street is apt to become the slave.

This term is often applied to the remuneration obtained by an individual working on his own account, whereas the whole, or some portion, of what is termed profit is, in reality, wages, whilst in the case of many traders interest is also classed as a profit.

This difficulty, or lack of discrimination, arises mainly as to undertakings carried on by individuals on their own account and at their own risk, and not in those carried on by public companies where the wages or remuneration of management is dealt with as a charge before profit is ascertained.

The dubiety on the subject was well illustrated in a lecture recently delivered by my friend Mr. R. F. Silvester, before the Incorporated Accountants' Students' Society of London, on "What are Profits?" In commenting thereon the *Financial Times* said *inter alia* "If any professional ought to have a clear grasp of the subject he is surely the accountant, but even here we happen upon exceedingly diverse opinions. There is nothing discouraging in this multitude of counsel; it shows a fluid mentality and a receptivity to fresh thought which is the very life blood of a great profession." After pointing out that the developments of commerce have cast the power of the ascertainment of profits into the hands of the accountant, and adding that no profession has risen so promptly to contemporary needs, or has combined with acute expert skill so strongly a belief in high ideals, the writer of the article desiderating some ordered and established practice opines that this will not arise till there is a statutory form of accounts, adding that such a form must inevitably be the work of accountants, and that he did not see why they should not start now making up their minds on what principles the form should be based, as that would clarify both their own thoughts and help to enlighten the public exploration of this vastly controversial topic.

PROFIT PERCENTAGES.

Among the fallacies as to profits on which accountancy enlightenment is desirable is the cardinal vice, from the point of view of pure arithmetic, of reckoning profit as a percentage of turnover in which the profit is itself included.

Who can gauge the misunderstandings and misconceptions that arise from this now almost hoary fallacy?

CAPITAL.

We can also render service by calling attention to the need of greater precision in the various uses of the term capital, and of more definite connotation of the descriptive adjectives we employ with the noun. If we accurately distinguish between the various categories of capital, something is done towards removing the use in certain circles of the words capital and capitalist as necessarily terms of reproach.

Much of this indiscriminate abuse is based upon misconception as to the necessity for capital, which, in its ultimate sense means something that is held in possession, or is under control, and is not required for the immediate purposes of the moment.

Without capital, which is the means of meeting future requirements, it would be impossible for humanity to survive, for if seed had not been sown last year it would be impossible to reap any harvest this. Too many people, from one cause or another, have an unduly short supply of capital, and some people may have an unduly large supply, but the community cannot, with any degree of accuracy, be divided into capitalist and non-capitalist strata, for it is only the vagrant without any visible means of subsistence who is not, in some measure, a capitalist.

That capital is not the possession of a section of society only is well illustrated in the case of the co-operative movement, which has amassed, and is amassing, large sums as capital, which it hires from its members at a rate of interest based ultimately on the ordinary money market rate of interest.

In addition, it endeavours to secure for its members the additional reward which accrues from the interception of the gains or profits arising from organising skill or managing ability.

In practice, therefore, the co-operative movement seems to differ fundamentally from the movements which urge the abolition of what is termed "the capitalistic system," and which apparently implies the abolition of capital, or the cessation of payment for its hire.

In the main, capitalists are now divorced from the practical administration of business, and the tendency is for management or organising ability to hire capital, or the bulk of it that is required, and to seek any additional reward in the risks or profits of management.

INDUSTRIAL REVOLUTION.

The economic musings or theorisings of medieval times, based, as they were mainly, on ethical considerations which preceded the advent of political economy as a science, should by now have given place to knowledge based on experience, and on the ascertainment of facts. There is not, however, at present, even amongst otherwise well educated people that diffusion of knowledge of economic facts, or even knowledge of the apparently actual conditions of economic life which prevents their arriving at conclusions or judgments without consideration of the evidence for or against any particular proposal.

In the public arena we are all of us, some knowingly but most unknowingly, engaged in a game of "blind man's buff."

The industrial revolution is but of comparatively recent origin. It is not yet fully realised that it affected capital as well as labour, nor are we fully awake to the fact that society, so far as this and countries similarly situated are concerned, is now based on economic—instead of as in earlier time on political or religious—considerations.

REMUNERATION OF LABOUR.

The medieval idea, that whilst there was to be a "just" price, labour was a commodity to be bought and sold like market wares of which the wages were the price, is no longer operative, and the harmonising of the interests of those who lend capital or lend labour, of those who hire both and organise industry, and of those who use or consume the products of industry, is the urgent call of the day. I have dealt elsewhere with the services which scientific cost accounting can render to the manufacturer or producer, and to the community, and with the needless industrial strife that arises through lack of knowledge, and have urged that the technique of our profession with regard to cost accounting should be improved to the utmost extent to which, under present circumstances, it is capable of improvement.

With this improved technique it would be possible for accountants to assist in the foundation and in the maintenance of an institute of industrial economists, an institute formed, not to advance personal, professional or vocational interests, but to render civic service, the aim of its members being to clarify and co-ordinate the loose and ambiguous economic terms now in use in economic, accountancy and general circles in relation to industry and its results; to advance our knowledge of industrial economic phenomena; to ascertain the effect on the community under present conditions of the economic facts of industry, and, in association, to endeavour by the diffusion of knowledge to dissipate distrust and suspicion in the industrial area, and promote the prosperity and happiness of the commonweal.

Year by year evidence accumulates as to the need and desirability of the diffusion of information as to economic facts in relation to various industries. Lord Asquith, in his address to the Incorporated Accountants' Students' Society in London on "The Accountant and Strikes" dealt with the matter in some detail.

Recently (on September 25th, 1924), at a conference at Balliol College, Oxford, Sir Arthur Lowes Dickinson, M.A., F.C.A., and Mr. Ernest Bevin, of the Dockers' Union, united in a plea for the ascertainment of costs and their publication, Sir Arthur stating that "in these days it would seem that the old idea that a business is owned entirely by, and should be run entirely in the interests of, those who contribute the capital, must be abandoned, and the fact admitted, in order to enhance real and lasting success with an absence of friction and disputes, that a business is really a partnership between

those who subscribe the capital in whatever form, those who manage the business in its different departments, and those by whose labour, under the guidance of the management, the products are produced and disposed of. Surely it is only reasonable, having regard to the fact that it is by the demand of the consumer that the industry continues, that the consumer should have some reasonable assurance that he is not being exploited either by capital, management or labour. Can it any longer be said that the proceeds of sales, the cost of production and the surplus remaining are the private concern of any individual or group of individuals?"

Mr. Ernest Bevin was no less emphatic in urging the need for, and wisdom of, publicity, saying: "I would like very often to be able to enlarge, not merely upon what may be called the immediate facts, but upon all the factors associated with the industry. There is a most urgent need for a scientific examination of the contributing factors in industry. These should be portrayed or tabulated with scientific accuracy, so clearly that they cannot be disputed. Here is where the film might be used with advantage. The contributions made to industry by labour, by direction or administrative capacity, and by finance should be estimated and analysed, and portrayed in diagram form, so that their relative values would be clearly understood by the public."

More recently still (January 22nd), an anonymous correspondent, in an article in the *Westminster Gazette* on "Workers and Profits—the Distrust of the Balance Sheet," plaintively asked why an accountant should not specialise in balance-sheets from the point of view of the man who invests his labour as well as from the point of view of the man who invests his money.

INTERNATIONAL CONGRESS: SOCIAL POLICY.

In the international sphere some progress in this direction has been made, for at an International Congress on Social Policy, held at Prague from October 1st to October 4th, 1924, a group of economists decided to found an International Union for Scientific Research in Social Economics, to foster co-operation between all countries in the development of an independent science of economics based upon observations of the facts. Particular attention will at first be paid to the progress of the labour movement, the growth of industrial democracy, and of international solidarity. Centres have been established provisionally by the new Association at Berlin, Cambridge, Paris and Rome. This organisation, it will be seen, has a wider scope than the more early formed International Institute of Agriculture at Rome.

COST OF LIVING FIGURES.

A further direction in which we can render social service is in urging the more scientific preparation of the cost of living figures. These figures are often discredited, and their application to current problems doubted, and, as I have shown in other addresses, there is some measure of justification for the criticism.

It is noteworthy in connection with a flat cost of living figure applied to the whole of Great Britain that in a comparatively small country like Belgium the cost of living figures are ascertained and published in connection with a number of different areas.

In his recent book "Some Current Problems in Finance and Government," Sir Josiah Stamp points out the economic effects that may arise from adjustment of wages without reference to the national production, stating that a correlative is required or an index of production, and agrees that the time is rapidly approaching for the formation of an advisory committee to consider an improvement in the procedure for arriving at the cost of living figures.

FOOD COMMISSION.

As you know, the Government recently appointed a Royal Commission, known as the "Food Commission," which was referred to in the King's Speech at the opening of Parliament in the following terms:—

"In view of the prevalence of high prices and their adverse effect upon the cost of living, I have appointed a Commission to investigate the extent of the causes and of the differences between the prices received by producers of foodstuffs and those paid by consumers."

I have not, however, yet heard that the Royal Commission has arranged for the accountancy portion of the problem to be

investigated by qualified accountants in a professional and, acting for the Commission direct, in a non-partisan manner.

It may be that hesitancy in this respect is due to the desire to avoid the necessity of going into the intimate details of what are called profits, and what may sometimes be—though perhaps very rarely—competitive businesses, but I would point out that so far as publicity is concerned this might be met by referring to individual businesses under letters or numbers, so that the information obtained or published would not be prejudicial to any particular business. It may be objected that these methods are inquisitorial, but they are not more inquisitorial than are the powers of the Income Tax Authorities.

It seems hardly consistent that such powers should be possessed by the State officials for purposes of taxation, but should not be available for general and commercial interests. Unless such information is obtained, and the lawfulness of demanding such information is latent or implied in the lapsed Profiteering Acts, the recommendations of the Food Commission, although they will probably be full of sapient suggestions, will nevertheless be of such a general character that it will not be possible to carry them out in fact. It is within the province of a Royal Commission, or, if it is not within their power, it is hardly possible for the Government to refuse it such power, to ask for and obtain from the Inland Revenue Authorities a return of the profits or incomes of those engaged in the industries with which the Commission is concerned.

The reluctance to disclose business secrets and profits is intelligible, and even in some respects perhaps commendable, but the Commission is charged with the duty of elucidating the mystery of the discrepancy between producers' and sellers' prices. The Commission have it in their power to make operative the Tribunals of Enquiry Act passed in 1921, which enacts that when an inquiry is being held on a definite matter of urgent public importance evidence may be taken on oath, and production of documents and books may be made compulsory.

From the evidence given before the Commission it would seem that the trade representatives, as regards their own particular industries, are disciples of Dr. Pangloss, and believe that "all is for the best in the best of all possible worlds," in which they state incidentally they make little or any profit from their trading activities.

One of the most amusing witnesses I think was he who stated that as regards meat, the main British importing interest had control over thousands of its own retail shops, and exercised financial control over many others, and that if excessive profits were made they must occur between Smithfield and the retail shops.

He suggested that, with the co-operation of the municipalities, test shops should be set up in three or four selected towns, and if it was proved that undue profits were being made, the Government would be faced with the choice between attempting to control prices or setting up an opposition industry. If the latter was impossible, it would become a question as to whether the Government should control prices in England by means of legislation.

This suggestion as to the opening of new shops by municipalities seems to me to be playing the game of blind man's buff in *excellis*.

It is only equalled by Charles Lamb's immortal Chinaman who burnt down the house in order to roast the pig.

If we are, as we sometimes claim to be, a practical people, surely the course that should be taken is to ascertain the facts by investigation and by preparation of accounts.

DISTRIBUTION COSTS.

Some progress has been made in the United States in the analysis of distribution costs, and the Bureau of Business Research in Chicago has recently published a monograph: "A Study of the 'Representative Firm' and of Bulk Line Costs in the Distribution of Clothing" based on the statistics of the expenses relative to the sales of 170 retail clothing stores during periods of years following 1916. A representative firm being one whose results do not diverge by more than 20 per cent. from the average ratio comprising some 75 per cent. of the total number observed. It has also issued "A Seven Years' View of the Sales and Expenses of Retail Clothiers," which shows that the proportionate charges attending decrease and increase of sales are smaller in large than in small cities. It has also published "Expenses, Profits and Losses in the Retail Meat Trade," with particulars of the expenses and profits of some 143 stores.

INSURANCES AND HOUSING.

It is only possible within the limits of this address to indicate very broadly two others among the many directions in which scientific accountancy can be utilised, viz, as regards insurance and housing. As to the former the controversy is raised in abstract fashion as to whether insurance should be by industries or whether it should be based upon a flat scale. An investigation of the facts would lead to the formation of an opinion which would be based on knowledge and not on abstract reasoning only.

As regards housing, here again the endeavour has not been, or does not seem to be, for the ascertainment of the economic facts in connection with the problem. Some of the calculations that have been made are evidently based on the view that time is not an element in cost. Thus, a well known Scotsman, who occupied a prominent position in the late Government, has dealt with an expenditure which could only be recouped in a period of 60 years, as the same thing as an expenditure which could be recouped in a few months. Thus a man who invests £1,000 in house property does not get his capital back till the end of 60 years, whereas a man who buys a £1,000 worth of commodities which he sells again, turns over his capital, and recoups himself perhaps two or three times a year.

The old adage "a bird in the hand is worth two in the bush" has been quite overlooked.

Progress toward a civilised commonwealth in which, for social purposes, citizens have to co-operate—retaining, however, freedom in individual matters—makes complex the adjustment of financial relations between the corporate body or bodies and their constituent members, and in this adjustment scientific accountancy must take a part.

Accountancy in its generic aspect of financial and statistical information in mass form has been our sphere in the past, and doubtless in considerable measure will be our sphere in the future, but we have fronting us the need and demand for the application of accountancy technique analytically so that the relativity of the particular to the general may be made manifest, and the results applied creatively and not destructively. Actuated by a spirit of social service we should enlarge our domain, and by generalised culture and specialised and highly developed technique build up, not only professionally but in social service, that accountancy of to-morrow of which practitioners of to-day are laying the foundations.

In this spirit those of us of the older line who are still pioneers—holding it true that "coming events cast their shadows before"—can invite the co-operation of the young and ardent practitioners who seek a career in a profession, capable of rendering to the community in the future much greater service than it has been able to render in the past.

Discussion.

Mr. J. D. Brown: I have been greatly interested in the Lecturer's remarks and think them very enlightening. In a highly organised community statistics become available, and it is possible to make progress with the verification of economic thought by reference to the facts as elucidated by the statistician. The great difficulty in obtaining accurate and helpful analyses is that of ensuring complete co-operation between the statistician and the economist. There must be a complete co-ordination of aim, and it would appear that it would be a great advantage if the economist were also a statistician, in order that he might be certain that his statistics were so complete as to be an accurate basis for theory. Statistics is, of course, a science in itself, as also is economics; but practical economics depend absolutely on statistical information, and the obvious requirement of absolute co-ordination between the two sciences can, I suggest, only be satisfactorily brought about by the economist being himself a statistician, and *vice versa*.

Mr. WALTER HOLMAN, Incorporated Accountant: I have listened with very great pleasure to Mr. Fells' remarks on this extremely interesting subject, and I suppose it was inevitable, in dealing with this subject as Mr. Fells has done, that he should appear to give rather an undue emphasis to the economic side of the social questions with which he has dealt. He said that previously these questions were regarded from a religious and an ethical point of view, but that now they are regarded from an economic point of view; and the impression

his paper made upon me—it may have been a wrong impression—was that these questions were solely economic questions. I suggest to him that although the emphasis may be different now from what it was in the past, the economic is not the only viewpoint of social questions; the religious and the ethical points of view still hold good, and you will only get a right judgment on social problems as you view them from all three aspects. I think Mr. Fells will agree that it is only possible to apply statistics to social problems if you have the data and the information necessary. I am perfectly willing to agree that accountants are best qualified by their training to use and to apply that information, but I suggest that the Government is the only body qualified to collect the data and the statistics necessary to be applied to social problems. I wonder, therefore, whether Mr. Fells would consider that, to follow out his programme, it would be advisable for the Government not to subsidise, but to bring the whole of the accountancy profession into the Government. The accountancy profession may be qualified to use statistics, but the Government is the only body capable of collecting them; therefore it seems to me, to push his remarks to their logical conclusion, it would be necessary for the accountancy profession to become in fact part of the governing body of the country. I think, too, that Mr. Fells should apply his request for the definition of terms to himself a little—I suggest this with all deference. He says that social questions are, at the bottom, economic. If he means by that that pounds, shillings and pence enter into these problems we will agree, but I think we shall all agree that they do not alone enter into them. Other questions and other considerations enter. One needs really to have a definition of what he means by an "economic basis." In my own opinion, the great service which accountants can give in the solution of social problems is not, perhaps, so much in direct statistical aid as in the inculcation and the spread of those qualities of clear thinking, and of the clear application of the thinking to facts, which are necessarily brought out by the training of the accountant, and it seems to me that, in this indirect manner, in the steady education of lay people—I use the word as distinct from professional people—that accountancy can help even more than in the direct manner to which Mr. Fells has referred. In conclusion, I would like to ask the Lecturer if he has thought out any means by which a balance-sheet could be drawn up so as to show, not only the result of trading from the point of view of those investing their capital, but from the point of view of those who invest their labour?

The CHAIRMAN: If no one else has anything to say I should like to express my thanks to Mr. Fells for what he has given us to-night. But I am going to have a little grumble at him all the same. He turned over such a lot of those pages, and cut out so much of his lecture, that I am sure we feel somewhat disappointed; but he told me that it had to be done for lack of time. He gave us, however, quite a feast, and he touched on a great many points of really vital interest to our profession. He spoke of the advances in costing. I think, perhaps, that is one of the matters which we can congratulate ourselves and the profession upon more than upon anything else. I am sure we have done great good to the manufacturers of this country by bringing costing to the point to which it has now attained. There is one other matter which Mr. Fells brought very prominently forward, and that is with regard to statistics in connection with industry and the cost of living. I cannot help feeling that there is a considerable amount of suspicion on the part of the working man with regard to the statistics which are produced. I do not know whether it is the fault of accountancy or whether we can put it down to the lack of education of the working man at the present moment, but that is the result. It appears to me that there is very considerable suspicion cast upon the figures issued in connection with the cost of living, and you are continually finding the figures criticised from the labour point of view. Just to give you an instance of it, a little while ago I had to appear before a rating committee, to produce certain balance-sheets, and there was one individual there who, after I had produced my balance-sheets and told them that I had audited the accounts and certified them as correct, got up and said, "Mr. Chairman, what we want is facts, not figures." (Laughter.) The chairman, when I protested, explained to me that he was quite sure the gentleman was generalising and not referring to my particular accounts. However, that illustrates what I have in my mind—that what we call the

illiterate man has to-day a very grave suspicion of figures. We want to educate these men to a thorough belief in figures, and until we succeed in doing so, I am afraid a great deal of our labour will be wasted. I had some other notes, but as the time is getting on I will ask Mr. Fells to reply to the various questions.

Mr. FELS: I agree with Mr. Brown that it would be desirable that every economist should be a statistician and every statistician an economist, but in these days of specialisation, although you may get a broad general outline of any particular science, or subject of study, you can only get that broad general outline if you give intensive calculation to any particular study or subject. There is, as our Chairman has said, the very greatest distrust all round as to figures. They say they want figures, and not what they sometimes call "figurative facts." That, I think, is due to the fact that our profession is a comparatively young one. We have been, and to a certain extent, we are now, perhaps, Ishmaels in the professional world, but gradually we are forcing recognition of the fact that accountancy is a profession, that it has a technique of its own and that its results can be accepted. With regard to my friend, Mr. Holman, I am sorry if I conveyed for one moment the impression that I regarded all life as based on economic facts. Fortunately, love, affection and many other redeeming virtues still exist. I referred to the fact that one must not visualise life merely as a money-making game, but as a condition in which we should endeavour to make ourselves as happy and as comfortable as we can, consistently, of course, with not unduly interfering with the happiness or comfort of others. But whence does our strife proceed? Disguise the fact as we may, it seems to me that we have going on all round us a form of civil war. You have class arrayed against class, you have the passions appealed to in all sorts of ways; and in connection with what? Merely with the division of the products of industry—as to who has the most, and how much he should be entitled to. You have a civil war really on the basis of the division of pounds, shillings and pence, and that is due to the fact that there is distrust and suspicion. Show what the products of industry are, show the different ways in which those products are contributed to and you remove very largely the causes of industrial strife. For, like Mr. Holman, I have sufficient faith and belief in the religious and ethical instincts of the people to believe that, if they knew the facts, accommodation could be found. As Carlyle put it 80 or 90 years ago: "Misunderstanding is at the bottom of the whole thing. There is a discord, which is really harmony not understood." And if we had a careful analysis of the results of the productive enterprises of our fellow citizens, and were able to make these manifest in a way clear to them, then, I think, distrust and suspicion would be largely removed. But, unfortunately, in an economic age, the struggle and strife is as to who is to get the best of the bargain. With regard to a dual balance-sheet, I have not yet been able to think out that form of balance-sheet which would be understandable by all men. I think that, at present, passes our capabilities. What I understand Sir Arthur Low Dickinson and Mr. Bevan to mean—and what I understand the whole host of writers who are dealing with this subject to mean—is that, in addition to the ordinary balance-sheet, there should be in any industry statistics available with regard to that industry which are capable of being verified and which represent the facts—not the facts from the point of view of the proprietor or the worker in the business—but should represent the facts as facts from a non-partisan point of view. For instance, when one considers some of the statements that pass current with regard to the coal industry, or the cost of coal distribution, one sees how very misleading certain facts may be made to appear. When you get profits, for instance, calculated as a percentage upon the turnover, instead of upon the actual cost, you see that such a fact as that, when it becomes known to the worker in the industry, fills him with suspicion and he discounts the whole of the figures that are put before him. Life would be too short—and I think Mr. Holman would agree—for us to have the balance-sheet of an industry which set out all the minute details that might be useful in the industry itself. With regard to accountancy becoming a branch of the Government—I know that it has been suggested as regards the great profession of medicine—I think the Minority Report of the Poor Law Commission in 1911, suggested that the State should take over the whole of the medical services of the country, and that doctors should

be paid, not on account of the illnesses that they attended, but rather on account of the illnesses that they prevented; that they should take a number of patients and should be paid so much for each so long as they kept him or her in good health. That, perhaps, would be a very desirable state of things with regard to our physical health, but I doubt very much whether it would be operative in the realm of accountancy. Everything that a Government does is suspect, and I do not think it would do for such an organisation as this to be part of the Government. I think that taking over this work, and doing it as a Government, would very greatly militate against its utility. You want to have a non-partisan organisation to which you can appeal, as you can, for instance, to the Royal Agricultural College, at Rome, if you want to obtain information about the wheat supplies in different countries. But that the Government itself should be the operative party, the Government which is actuated always by political motives and moved by the "man in the street"—that, I think, would be fatal to all scientific progress. I do not know whether there are any questions to which I have not replied, or any matters with which I have not dealt, but if there are and you will kindly remind me of them, I will endeavour to deal with them. Meantime, I have to thank you for the kind and patient way in which you have listened to this somewhat prolonged address, which I endeavoured to shorten in the hope of having discussion.

Mr. POLWARTH, in moving a vote of thanks to the Lecturer, said: I consider Mr. Fells particularly modest in regard to his earlier work, judging by his statement to the effect that he assumed the mantle of prophecy in Liverpool about eighteen years. From personal experience I am of the opinion that many members of the profession, especially practising members, do not fully appreciate the pioneering done by Mr. Fells through his work on "Factory Accounts," first published in 1887. In my opinion, that pioneer publication gave him ground for prophecy in that he had already demonstrated some of the practical means by which the later prophecies could be attained in the midst of complex organisation. I imagine the time will come when the efforts to settle industrial and social problems from the beginning of this century down to the present time will be regarded as marking the commencement of the period of industrial and social regulation by accounting and statistical method. The suspicions attendant to earlier accounting computations as a mode of wages settlement are well illustrated by the occasional comment of the rank and file members of the mining community "Yes; but they keep two sets of books," in the course of discussing the effects and the reliability of the accounting ascertainment prepared under the former Coal Trade Conciliation Board scheme for wages settlements in relation to quarterly selling prices, &c., as established for Northumberland and Durham during the fuller activities of the late Mr. Thomas Burt. That atmosphere generally, even now, is not fully dispersed, but we are coming to the time when economic relations will be influenced by professional impartiality and a rational solution by accounting and statistical method. Though on this subject some of us may feel that Mr. Fells has, so to speak, "appropriated our wind," I think there is no one in the Society more eminently fitted than he is to indicate these prospects, and I would like to congratulate and thank him for the very interesting and able lecture he has given us and for the part he has hitherto taken in indicating some of the practical means by which we are to attain a desirable end.

The vote of thanks was seconded by Mr. BROWN and carried by acclamation.

Mr. FELS: I have to thank you very much for the way in which you have dealt with Mr. Polwarth's motion of thanks to me for the effort I have made to show the young accountant that he is entering into no mean profession, and that he, probably more than the members of any other profession, can under economic conditions in an industrial age do more to assuage civil discontent than any other professional man who has yet appeared. I thank Mr. Polwarth very much for the very kind references he made to my youthful indiscretions when, in conjunction with my friend Mr. Garcke, some 37 years ago, I wrote the first book on cost accounting. That book, revised and enlarged, I am glad to say is still in vogue. Only to-day I answered a letter from Milan asking me questions in relation to it; it has been translated into several

languages, and in the 38th year the circulation is greater than it was in any year during the first ten or twelve years. Of course, we have to remove the idea that cost accounting is a function of the management solely. Many of us know the work that Mr. Polwarth is doing, in an institution not far from here, in teaching cost accounting in practice, and I am sure we all wish him the greatest possible success. I think we must stand rather closer to cost accounting in the future than we have done in the past. I do not myself think—perhaps it is a prejudice or an obsession—but I do not think we yet attach sufficient importance to it in our examinations. I regard it as a subject which is vital to the community, and unless we do improve our technique in connection with it I am afraid we may find that the opportunity has passed and that the so-called technician of industry—the production engineer and so on—will claim that, after all, we only come in to verify his figures and to justify his conclusions, but that we are not really ourselves cost accountants. That is a criticism that, I think, we must guard against by improving our technique.

A vote of thanks to the Chairman terminated the proceedings.

Changes and Remobals.

The partnership subsisting between Mr. R. M. Brodie, Incorporated Accountant, and Mr. H. W. Clark, Chartered Accountant, under the style of Clark & Brodie, at 43, Flamborough Road, Bridlington, and 29, Scale Lane, Hull, has been dissolved. In future Mr. R. M. Brodie and Mr. H. W. Clark will carry on business at Hull and Bridlington respectively on their own account.

Mr. Newsome Clough, Incorporated Accountant, has opened a branch office at 7, West Street, Morecambe.

The partnership existing between Mr. H. Davis and Mr. A. Beckett, under the style of Davis & Beckett, Incorporated Accountants, has been dissolved. The practice will be carried on by Mr. H. Davis under the style of H. Davis & Co., at Kuala Lumpur, Federated Malay States.

Messrs. Douglas, MacKelvie & Co., of Cape Town, have opened a branch office at Standard Bank Chambers, 24, Main Street, Port Elizabeth, under the control of Mr. A. S. Hutton, C.A.

Messrs. R. Duncan French & Co., Liverpool, have taken into partnership Mr. A. S. James, Incorporated Accountant, and Mr. William J. Holgate. The style of the firm will remain unchanged.

Messrs. Arthur E. Green & Co., Incorporated Accountants, London, have taken into partnership Mr. L. A. Mann, Incorporated Accountant. The name of the firm will remain as before.

Messrs. T. F. Grundy, Middleton & Co., Incorporated Accountants, Manchester and London, have removed their London office to Copthall House, 13, Copthall Avenue, London, E.C. 2.

Messrs. Deakin Hale, Phillips & Co., London, announce that they have taken into partnership Mr. Philip Deakin Hale, Chartered Accountant, and Mr. George Ernest Bridger, Incorporated Accountant. The name of the firm will remain the same. They have also opened a branch office at The Great Hall, Tunbridge Wells.

Messrs. Hands & Shore, Incorporated Accountants, Cape Town, announce that they have taken into partnership as from July 1st Mr. Kenneth C. M. Hands, B.A., Incorporated Accountant. The name of the firm will remain unchanged.

Mr. T. Manby, Incorporated Accountant, has removed to New Gallery House, 6, Vigo Street, London, W.1.

Messrs. Langton & Lepine announce that the partnership heretofore carried on at 6, Bond Court, Walbrook, London, E.C.4, has been dissolved. Mr. Walter Langton, F.S.A.A., will continue to practise under his own name at 26, Lee Terrace, Blackheath, London, S.E.3, and Mr. C. H. Lepine, A.C.A., will continue to practise at Bond Court, Walbrook, in partnership with Mr. L. B. Jackson, A.C.A., under the style of Lepine & Jackson, Chartered Accountants.

Society of Incorporated Accountants and Auditors.

EXAMINATION RESULTS.

SOUTH AFRICAN (EASTERN AND WESTERN) COMMITTEES.

MAY, 1925.

Final.

Alphabetical Order.

- BOLUS, CEDRIC PALMER, Clerk to Maynard Nash, Fletcher's Chambers, Darling Street, Cape Town.
- HAMBER, JOHN PERCY, Clerk to F. W. Anton Eveleigh, Library Buildings, Market Square, Port Elizabeth.
- McLOUGHLIN, GERALD ARTHUR, Clerk to Alex. Aiken & Carter, National Bank Buildings, Johannesburg.
- KANBY, WILLIAM STEPHENSON KING, Clerk to E. R. Syfret & Co., 119, St. George's Street, Cape Town.
- SARGEANT, ALBERT CHARLES, Clerk to Sir Harry Hands (Hands & Shore), 108, St. George's Street, Cape Town.
- SIMPSON, ERNEST WILLIAM, Clerk to James Douglas (Douglas, MacKelvie & Co.), Dominion House, 141, Longmarket Street, Cape Town.
- THRESHER, FREDERICK JAMES, Clerk to G. W. Warner, 55, Maitland Street, Bloemfontein.
- TUCKER, FREDERICK GRENVILLE WALLACE, Clerk to N. A. Stott (Deloitte, Plender, Griffiths, Annan & Co.), 201, Consolidated Buildings, Fox Street, Johannesburg.
- WOOTTON, JOHN REGINALD, Clerk to A. Hewitt (Dougall, Lance & Hewitt), Pretoria Building, Society Chambers, Pretorius Street, Pretoria.

(4 Candidates failed to satisfy the Examiners.)

Intermediate.

Alphabetical Order.

- BUCHAN, ARTHUR ALEXANDER, Clerk to F. W. Anton Eveleigh, Library Buildings, Market Square, Port Elizabeth.
- DALLAS, LINWOOD FORBES, B.A., Clerk to A. S. Hooper (Deloitte, Plender, Griffiths, Annan & Co.), Norwich Union Buildings, St. George's Street, Cape Town.
- JOLLY, REGINALD THOMAS, Clerk to F. B. Gibbins (Price, Waterhouse, Peat & Co.), 73, Standard Bank Chambers, Johannesburg.
- ORR, ALFRED NORMAN, Clerk to P. A. M. Hands (Hands & Shore), 108, St. George's Street, Cape Town.
- SEARLE, GORDON THOMAS, Clerk to G. E. Orpen (E. R. Syfret & Co.), 119, St. George's Street, Cape Town.
- STENT, HENRY EDWARD ELLIOTT, Clerk to James Douglas (Douglas, MacKelvie & Co.), Dominion House, 141, Longmarket Street, Cape Town.
- WISEMAN, CHARLES PATRICK, Clerk to J. S. Richardson, 151, Stock Exchange Buildings, Johannesburg.

(6 Candidates failed to satisfy the Examiners.)

Preliminary.

Alphabetical Order.

- BETTY, REGINALD GATH, 7, Glen Road, Bloemfontein.
- DIKE, ALAN WALTER, "Totara," De Waal Road, Fish Hoek, Cape Town.

(2 Candidates failed to satisfy the Examiners.)

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to, and promotions in, the Membership of the Society have been completed since our last issue:—

ASSOCIATES TO FELLOWS.

- DAVID, THOMAS NEWMAN TRAYNS, B.A. (Percy H. Walker & Co.), 4, Park Place, Cardiff, Practising Accountant.
- FRY, GEORGE HENRY, Borough Treasurer and Accountant, Town Hall, Halifax.
- PILCHER, PERCY EDWARDS PERRIN (Patterson, Pilcher & Co.), Throgmorton House, 15, Copthall Avenue, London, E.C.2, Practising Accountant.
- SALES, CHARLES ALLISON, LL.B., Director of Studies, H. Foulks Lynch & Co., 10, Smith Square, Westminster, London, S.W.1.
- SUTCLIFFE, ROBERT, Borough Accountant, Municipal Buildings, Middlesbrough.
- WALTER, CEDRIC WALTER (Gladwell, Walter & Co.), 19, Garrick Street, London, W.C.2, Practising Accountant.

ASSOCIATES.

- ADAMS, WILLIAM, Deputy Borough Accountant, West Bars, Chesterfield.
- AIRS, WILLIAM EDWARD, Clerk to W. B. Keen & Co., 23, Queen Victoria Street, London, E.C.4.
- ARNOTT, WILLIAM MILLER, Clerk to Gilbert Shepherd, Owen and Co., 22, St. Andrew's Crescent, Cardiff.
- BAKER, BERTIE, Lichfield Chambers, 1, Leicester Street, Walsall, Practising Accountant.
- BIGG, HENRY OSCAR WALLACE, Accountant, Tilbury Urban District Council, Council Offices, Tilbury.
- BISHOP, DAVID RITCHIE, City Chamberlain's Department, Town House, Aberdeen.
- BLADON, SYDNEY HAROLD, H.M. Inspector of Taxes (5th District), Theatre Square, Nottingham.
- BRAILSFORD, ARTHUR JOHN, Clerk to Carter & Co., 33, Waterloo Street, Birmingham.
- BRENACK, HENRY EDWARD, c/o C. T. Bowring & Co., Limited, 52, Leadenhall Street, London, E.C.3.
- BULLOCK, WALTER, Clerk to J. Pixton, 33, Blackfriars Street, Manchester.
- CAWTHRA, FRANCIS WILLIAM, Clerk to Wheawill & Sudworth, Westgate, Huddersfield.
- COZINS, LAWRENCE THOMAS, Clerk to Price, Waterhouse & Co., 3, Frederick's Place, Old Jewry, London, E.C.2.
- CRABBE, EDWIN COWIN, National Insurance Audit Department, 9, Queen Square, Liverpool.
- CROOK, GEORGE EDWARD ALBERT, Clerk to W. McIntosh Whyte & Co., 8, Mansion House Chambers, 11, Queen Victoria Street, London, E.C.4.
- DAVIES, WILLIAM, Clerk to Kidger & Greenland, Priory Buildings, Union Street, Oldham.
- DAVIS, HERBERT EDWARD, M.C., Captain, Corps of Military Accountants, Field Stores, Aldershot.
- DUNCOMBE, WILLIAM EWART, Clerk to Godfrey, Laws & Co., Prudential Chambers, Luton.
- DUNKLEY, HENRY PATTINSON, Assistant Local Accountant, Ministry of Labour, Dalton House, 94, Corporation Street, Birmingham.
- FLEETWOOD, CLARENCE, City Treasurer's Department, Municipal Buildings, Leeds.
- GADSBY, JAMES, Clerk to Samuel Edward Short & Co., 17, Gluman Gate, Chesterfield.
- GALE, STEPHEN ERNEST HUBERT, Clerk to Peat, Marwick, Mitchell & Co., Dowlais Chambers, Bute Docks, Cardiff.
- GODFREY, EDWARD, Borough Treasurer's Department, Town Hall, Wallasey.

- HADDON, NORMAN JAMES, City Treasurer's Department, Municipal Buildings, Leeds.
- HALLS, FREDERICK SIDNEY, City Treasurer and Accountant's Department, Guildhall, Gloucester.
- HATTON, SAMUEL, 9A, St. Peter's Square, Manchester, Practising Accountant.
- HEDDON, STANLEY RUSSELL, Borough Accountant's Department, Metropolitan Borough of Deptford, Town Hall, New Cross Road, London, S.E.14.
- HILL, EDWARD KING, Clerk to J. W. B. Brown, Sara & Co., Prudential Buildings, Corporation Street, Birmingham.
- HOLMES-WHITE, JOSEPH WILLIAM (Holmes-White, Herbert and Co.), 124, Balaam Street, Plaistow, London, E.13, Practising Accountant.
- JAKEMAN, CYRIL ARTHUR, M.C., Clerk to Critchley, Ward and Pigott, 16, High Street, Abingdon.
- JOHNSON, HENRY ERNEST (J. E. Denney, Bogle & Co.), 123/124, Finsbury Pavement House, London, E.C.2, Practising Accountant.
- KILVINGTON, FRANK WILSON, Clerk to H. H. Kilvington, 17, Scarbro' Street, West Hartlepool.
- KING, LESLIE DAVID, Clerk to Godfrey, Laws & Co., Prudential Chambers, Luton.
- LATTON, HAROLD LESLIE, Clerk to Turquand, Youngs & Co., 19, Coleman Street, London, E.C.2.
- LEAMAN, STUART, Borough Treasurer's Department, Municipal Offices, Southampton.
- LEE, HARRY, Clerk to W. Arthur Turner & Co., 21, Bridge Street, Bradford.
- LEVEY, STEPHEN LEONARD, 52, Fairleigh Drive, Leigh-on-Sea, Practising Accountant.
- LEWIS, LESLIE ADOLPHUS, Clerk to Hughes & Allen, 67, Basinghall Street, London, E.C.2.
- MILTON, PHILIP HENRY, Borough Treasurer's Department, Town Hall, St. Marylebone, London, N.W.1.
- MOORE, STANLEY PASCOE, Clerk to Robert J. Ward & Co., 10, Serjeants' Inn, Fleet Street, London, E.C.4.
- PANDAY, DARABSHAW NUSSEERWANJI, Clerk to Arthur E. Piggott, Son & Co., 56, Mosley Street, Manchester.
- PHILLIPS, DONALD ROY, Borough Accountant's Department, 39, Wellington Square, Hastings.
- ROSE, WILLIAM GEORGE, Clerk to Crane, Houghton & Crane, Cathedral House, 8, Paternoster Row, London, E.C.4.
- RUMBLE, CECIL FREDERICK, Clerk to Clarkson & Bennett, 16 & 17, Devonshire Square, Bishopsgate, London, E.C.2.
- SMITH, DOUGLAS WILFRED, Clerk to Impey, Cudworth, Lakin-Smith & Goode, Broad Street House, London, E.C.2.
- SPOFFORTH, STANLEY ALBINUS, Clerk to Armitage & Norton, Atlas Chambers, King Street, Leeds.
- STEVENS, WILLIAM HENRY, Clerk to George Copley, Kay & Co., 27, Southampton Street, Strand, London, W.C.2.
- STEWART, ROBERT, Clerk to Joseph A. Harris, 23, Regent Street, Barnsley.
- STOTT, JACK, Treasurer's Department, Stretford Urban District Council, Council Offices, Old Trafford, nr. Manchester.
- STUART, FRANK, Clerk to Percy F. Ward, 27, Mosley Street, Newcastle-on-Tyne.
- THRELFALL, HARRY, Clerk to W. H. Shaw & Sons, Market Place, Dewsbury.
- WALKER, HARRY, Clerk to Armitage & Norton, Atlas Chambers, King Street, Leeds.
- WARRINGTON, WILLIAM ERNEST (Baker & Co.), 44, Abington Street, Northampton, Practising Accountant.
- WHITE, CHARLES JOHN, Clerk to Boaler & Flint, Bromley House, Angel Row, Nottingham.
- WILKS, HENRY, County Treasurer and Accountant's Department, Glamorgan County Council, County Hall, Cardiff.
- WILSON, STANLEY BAIKIE, Clerk to Bournier, Bullock & Co., 2, Hotel Road, St. Austell.
- WOODWARD, ALBERT RATCLIFFE, Clerk to William Davison, 36, West Sunnyside, Sunderland.
- WRIGLESWORTH, DOUGALD McLaurin, Bank Chambers, North Parade, Bradford, Practising Accountant.

FINANCE ACT, 1925.

The following are the provisions of the Finance Act, 1925, in so far as they relate to Income Tax, Super Tax and Death Duties:—

PART II.

Income Tax.

13.—(1) Income tax for the year 1925-26 shall be charged at the rate of 4s.

(2) All such enactments relating to income tax as were in force with respect to duties of income tax granted for the year 1924-25 shall have full force and effect with respect to any duties of income tax granted by this Act.

(3) The annual value of any property which has been adopted for the purpose of income tax under Schedules A and B for the year 1924-25 shall be taken as the annual value of that property for the same purpose for the year 1925-26:

Provided that this sub-section shall not apply to lands, tenements and hereditaments in the administrative county of London with respect to which the valuation list under the Valuation (Metropolis) Act, 1869, is, by that Act, made conclusive for the purposes of income tax.

SUPER TAX.

14.—(1) The rates of super tax for the year 1925-26 shall, for the purposes of sect. 4 of the Income Tax Act, 1918, as amended by any subsequent enactment, be as follows:—

In respect of the first £2,000 of the income ..	Nil
In respect of the excess over £2,000—	s. d.
For every pound of the first £500 of the excess ..	0 9
For every pound of the next £500 of the excess ..	1 0
For every pound of the next £1,000 of the excess ..	1 6
For every pound of the next £1,000 of the excess ..	2 3
For every pound of the next £1,000 of the excess ..	3 0
For every pound of the next £2,000 of the excess ..	3 6
For every pound of the next £2,000 of the excess ..	4 0
For every pound of the next £5,000 of the excess ..	4 6
For every pound of the next £5,000 of the excess ..	5 0
For every pound of the next £10,000 of the excess ..	5 6
For every pound of the remainder of the excess ..	6 0

(2) All such enactments relating to super tax as were in force with respect to the super tax granted for the year 1924-25 shall have full force and effect with respect to the super tax granted under this section.

ALLOWANCES IN RESPECT OF EARNED INCOME AND ALLOWANCES FROM TOTAL INCOME OF PERSONS OF AGE OF 65 YEARS.

15.—(1) An individual who makes in the manner prescribed by the Income Tax Acts a claim in that behalf and who makes a return in the prescribed form of his total income shall, for the purpose of ascertaining the amount of his assessable income for the purpose of income tax, be allowed a deduction from the amount of his earned income of a sum equal to one-sixth of the amount of that income, but not exceeding in the case of any individual £250.

(2) Any individual who, in the manner prescribed by the Income Tax Acts, makes a claim in that behalf, makes a return in the prescribed form of his total income, and proves that at the commencement of the year of assessment either he or, in the case of a married man, his wife living with him was of the age of 65 years or upwards and that his total income for the year of assessment does not exceed £500, shall, for the purpose of ascertaining the amount of his assessable income for the purpose of income tax, be allowed a deduction from the amount of his total income of a sum equal to one-sixth of the amount of that income, and any individual who would, but for the fact that his total income exceeds £500, be entitled to an allowance as aforesaid shall be entitled to have the amount of the income tax payable in respect of his total income reduced, where necessary, so as not to exceed a sum equal to the aggregate of the two following amounts, that is to say, the amount of the tax which would have been payable if his total income had amounted to, but had not exceeded £500, and one-half of the amount by which his total income exceeds £500:

Provided that any deduction or relief under this sub-section shall be in substitution for and not in addition to the deduction under sub-sect. (1) of this section.

(3) The provisions of sects. 27, 28, 29 and 30 of the Income Tax Act, 1918, and of paragraph XVII of the Fifth Schedule to that Act shall apply for the purpose of claims under this section, and references in any enactment to sect. 16 of the Finance Act, 1920, or to the deduction of any allowance in respect of earned income shall be construed as references to this section and to the allowances and relief thereunder:

Provided that where, on an application made for the purpose under the provisions of the Income Tax Acts, income tax for any year is assessable and chargeable on the incomes of the husband and wife respectively as if they were not married, the benefit of any allowance or relief under the last preceding sub-section shall be apportioned between the husband and wife according to the amounts of their respective total incomes.

(4) Paragraph (b) of sub-sect. (1) of sect. 105 of the Income Tax Act, 1918, as amended by the Third Schedule to the Finance Act, 1920, shall have effect as though the words "one hundred and sixty pounds" were substituted for the words "one hundred and fifty pounds."

(5) In this section the expressions "earned income" and "total income" mean respectively earned income as estimated in accordance with the provisions of the Income Tax Acts and total income from all sources as so estimated.

ALLOWANCE OF DEDUCTION FOR WEAR AND TEAR IN CASE OF PROFITS OF PROFESSIONS, &c., AND OF PROFITS ARISING FROM OCCUPATION OF LAND.

16.—Rules 6 and 7 of Cases I and II of Schedule D (which provide, in connection with the charge to income tax under that schedule of the profits or gains of a trade, for the allowance of deductions in respect of the wear and tear of machinery and plant and in respect of expenses incurred in replacing obsolete machinery or plant) shall apply as if references in those rules to the profits or gains of a trade included references to the profits or gains, whether assessable under Schedule D or otherwise, of a profession, employment, vocation or office, and, where they are ascertained otherwise than by reference to assessable value, to the profits or gains arising from the occupation of lands, including woodlands, and in relation to profits or gains assessable under some schedule other than Schedule D as if the provisions of the said rules were applicable to the tax under that other schedule:

Provided that—

(i) Where the profits or gains are not assessed under Schedule D, the powers of the Additional Commissioners under paragraph (4) of the said Rule 6 may be exercised by the General Commissioners; and

(ii) In the case of a claim for the allowance of a deduction for wear and tear in any year from the profits or gains arising to any person from the occupation of lands, including woodlands, the appropriate deduction for wear and tear shall, for the purposes of paragraph (6) of the said Rule 6, be deemed to have been allowed for any previous year for which profits or gains arising to that person from the occupation of lands, including woodlands, were determined by reference to assessable value.

NON-RESIDENT PERSONS NOT TO BE CHARGEABLE TO INCOME TAX IN NAME OF CERTAIN AGENTS.

17.—(1) Where sales or transactions are carried out on behalf of a non-resident person through a broker in the ordinary course of his business as such, and the broker satisfies the conditions required to be satisfied for the purposes of this section, then, notwithstanding that the broker is a person who acts regularly for the non-resident person as such broker, the non-resident person shall not be chargeable to income tax in the name of that broker in respect of profits or gains arising from those sales or transactions.

(2) The conditions required to be satisfied for the purposes of this section are that the broker must be a person carrying on *bona fide* the business of a broker in Great Britain or Northern Ireland, and that he must receive in respect of the business of the non-resident person which is transacted through him remuneration at a rate not less than that customary in the class of business in question.

(3) In this section the expression "broker" includes a general commission agent.

(4) Rule 10 of the General Rules shall have effect subject to the provisions of this section.

ASSESSMENT OF WEEKLY WAGE EARNERS TO BE HALF-YEARLY INSTEAD OF QUARTERLY.

18.—Weekly wage-earners to whom Rule 2 of the Rules applicable to Cases I and II of Schedule D applies shall for the year 1925-26 be assessed and charged to tax in respect of their wages in each half of the year instead of in each quarter of the year, and for references in any enactment to quarterly assessment and charge and to quarters of the year in connection with the assessment and charge of weekly wage-earners there shall be substituted references to half-yearly assessment and charge and to half-years, and all such enactments shall have effect accordingly.

CLAIMS FOR EXEMPTION IN RESPECT OF INCOME OF CHARITIES AND FOR REPAYMENT OF TAX IN RESPECT OF INTEREST PAID TO BANKS, AND RIGHT OF APPEAL IN CONNECTION THEREWITH.

19.—(1) Any claim for—

- (a) Exemption from income tax under the provisions of sect. 37 of the Income Tax Act, 1918, or sect. 30 of the Finance Act, 1921 (which sections provide respectively for exemption in respect of certain income of charities and for exemption in respect of lands owned and occupied by charities and of profits of trades carried on by beneficiaries of charities); or
- (b) Repayment of income tax under sect. 36 of the Income Tax Act, 1918 (which provides for the repayment in certain cases of income tax in respect of interest paid to banks, discount houses, &c., out of taxed profits);

shall be made to the Commissioners of Inland Revenue in such form as they may prescribe, and the said Commissioners shall, on proof of the facts to their satisfaction, allow the claim accordingly.

(2) Any person who is aggrieved by the decision of the said Commissioners on a claim made by him as aforesaid may, by notice in writing to that effect given to the said Commissioners within 21 days from the date on which notice of the decision is given to him, make an application to have his claim for exemption or repayment, as the case may be, heard and determined by the Special Commissioners.

(3) Where any such application as aforesaid is made, the Special Commissioners shall hear and determine the claim in like manner as an appeal made to them against an assessment under Schedule D, and all the provisions of the Income Tax Acts relating to such an appeal (including the provisions relating to the statement of a case for the opinion of the High Court on a point of law) shall apply accordingly with any necessary modifications.

(4) Sect. 40 of the Income Tax Act, 1918 (which contains provisions with respect to claims under sects. 37, 38 and 39 of that Act), shall cease to apply to claims for exemption under sect. 37 of that Act.

PROVISION AS TO INCOME TAX ON DIVIDENDS OF CERTAIN SECURITIES VESTED IN CUSTODIAN OR ADMINISTRATOR OF ENEMY PROPERTY.

20.—(1) Where under or by virtue of the Trading with the Enemy Acts, 1914 to 1918, or any Order in Council made under any Treaty of Peace Act, any securities to which this section applies became vested in any custodian or administrator of enemy property, any question of liability to income tax in respect of the dividends or interest on the securities shall be determined as if the securities had not become so vested.

(2) The securities to which this section applies are those classes of securities, stocks, funds or shares the dividends or interest whereon are chargeable to income tax under Schedule C or under Rule 7 of the Miscellaneous Rules applicable to Schedule D, or were chargeable to income tax under any enactments replaced by the said Schedule C or the said Rule 7, and for the purposes of this section the expression "Treaty of Peace Act" means any Act for carrying into effect any treaty of peace made after the late war between His Majesty and any other power.

CONTINUATION OF SECT. 21 OF FINANCE ACT, 1923.

21.—Sect. 21 of the Finance Act, 1923 (which grants an exemption for charities in the Irish Free State in respect of income tax for the year 1923-24), shall apply with respect to income tax chargeable for the years 1925-26, 1926-27 and 1927-28, as it applied with respect to income tax chargeable for the year 1923-24.

PART III.

Death Duties.

22.—The scale set out in the Fourth Schedule to this Act shall, in the case of persons dying after the commencement of this Act, be substituted for the scale set out in the Third Schedule to the Finance Act, 1919, as the scale of rates of estate duty:

Provided that, where an interest in expectancy within the meaning of Part I of the Finance Act, 1894, in any property has, before April 28th, 1925, been *bonâ fide* sold or mortgaged for full consideration in money or money's worth, then no other duty on that property shall be payable by the purchaser or mortgagee when the interest falls into possession than would have been payable if this Part of this Act had not passed, and in the case of a mortgage any higher duty payable by the mortgagor shall rank as a charge subsequent to that of the mortgagee.

ESTATE DUTY PAYABLE IN RESPECT OF AGRICULTURAL PROPERTY TO BE CHARGED IN PART ON AGRICULTURAL VALUE AT RATE UNDER FINANCE ACT, 1919.

23.—(1) Where an estate in respect of which estate duty is payable on the death of a person dying after the commencement of this Act comprises or consists of agricultural property, the estate duty payable in respect of the agricultural property shall, instead of being charged on the principal value thereof at the appropriate rate payable under this Act, be charged as follows, that is to say, the duty shall be charged on the agricultural value of the property at the appropriate rate payable under the scale of rates set out in the Third Schedule to the Finance Act, 1919, and shall be charged on the amount by which the principal value of the agricultural property exceeds the agricultural value thereof (in this Act referred to as "the excess principal value") at the appropriate rate payable under the scale set out in the Fourth Schedule to this Act.

(2) For the purposes of this section the agricultural value of agricultural property shall be taken to be the value which the property would bear if it were subject to a perpetual covenant prohibiting its use otherwise than as agricultural property, decreased by the value of any timber, trees, wood or underwood growing thereon.

(3) Where any agricultural property is subject to a mortgage, debt or incumbrance in respect of which an allowance is by law to be made for the purposes of estate duty, the mortgage, debt or incumbrance shall, for the purposes of this section, be apportioned between the agricultural value of the property and the excess principal value of the property in proportion to the amounts of those two values respectively.

(4) In this section the expression "agricultural property" means agricultural property within the meaning of paragraph (g) of sub-sect. (1) of sect. 22 of the Finance Act, 1894, and the expression "appropriate rate" means the rate of estate duty appropriate to the principal value of the estate passing on the death of the deceased.

DETERMINATION FOR PURPOSES OF SUCCESSION DUTY OF DATE ON WHICH SUCCESSION ARISES.

24.—For the purposes of sect. 18 of the Finance Act, 1894, and of sect. 58 of the Finance (1909-10) Act, 1910, a succession shall be deemed to arise on the happening of the death by reason of which the successor, or any person in his right or on his behalf, becomes entitled in possession to the succession or to the receipt of the income or profits thereof.

PART IV.

General.

REPEAL.

28.—(6) The enactments set out in the Fifth Schedule to this Act is hereby repealed to the extent mentioned in the third column of that schedule.

FOURTH SCHEDULE.

SCALE OF RATES OF ESTATE DUTY.

Principal Value of the Estate.		Rate per cent. of duty.	
Exceeding	£100 and not exceeding £500	..	1
"	£500 " " £1,000	..	2
"	£1,000 " " £5,000	..	3
"	£5,000 " " £10,000	..	4
"	£10,000 " " £12,500	..	5
"	£12,500 " " £15,000	..	6
"	£15,000 " " £18,000	..	7
"	£18,000 " " £21,000	..	8
"	£21,000 " " £25,000	..	9
"	£25,000 " " £30,000	..	10
"	£30,000 " " £35,000	..	11
"	£35,000 " " £40,000	..	12
"	£40,000 " " £45,000	..	13
"	£45,000 " " £50,000	..	14
"	£50,000 " " £55,000	..	15
"	£55,000 " " £65,000	..	16
"	£65,000 " " £75,000	..	17
"	£75,000 " " £85,000	..	18
"	£85,000 " " £100,000	..	19
"	£100,000 " " £120,000	..	20
"	£120,000 " " £140,000	..	21
"	£140,000 " " £170,000	..	22
"	£170,000 " " £200,000	..	23
"	£200,000 " " £250,000	..	24
"	£250,000 " " £325,000	..	25
"	£325,000 " " £400,000	..	26
"	£400,000 " " £500,000	..	27
"	£500,000 " " £750,000	..	28
"	£750,000 " " £1,000,000	..	29
"	£1,000,000 " " £1,250,000	..	30
"	£1,250,000 " " £1,500,000	..	32
"	£1,500,000 " " £2,000,000	..	35
"	£2,000,000 " "	40

ESTATE DUTY.

Statistics of Capital Values.

The following is an extract from the Report of the Commissioners of Inland Revenue for the year ended March 31st, 1924. The Tables referred to are embodied in the Report, which is published by H.M. Stationery Office, Adastral House, Kingsway, London, W.C.2. (Price 2s. 6d.)

For the year 1923-24 the scope of the Estate Duty statistics has been enlarged in several directions. The principal innovations are as follows:—

1.—The number of estates liable to duty have been classified in certain main ranges, according to the sex and personal status of the deceased (Table 11). The table shows the number of cases in which the deceased (a) died testate or intestate, (b) had a foreign domicile, (c) left surviving lawful issue, and (d) left surviving lawful parent.

2.—The usual analyses of personality and realty (Tables 14 and 15) have been extended to show the distribution of the total capital under each head owned by married, widowed, or single persons of either sex.

3.—A fresh table has been introduced (Table 18), showing in ranges of estates the distribution per £1,000,000 of the total gross capital value of all property, by reference to the class of property and the sex and personal status of the deceased.

4.—The special classification by reference to legal title, &c., has been further analysed (Table 20), under its main headings, in similar ranges of estates, according to the sex of the deceased.

5.—For the year 1920-21 we analysed the capital upon which duty was paid in England by reference to the ages of deceased persons. A similar investigation has been made for 1923-24, with the addition that each age-group has been sub-divided according to the sex and personal status of the deceased. The results are shown, for the principal ranges of estates, as percentages of the total number (Table 21), and of the Net Capital Value (Table 22), of estates so classified. Certain estates in which the age of the deceased was not disclosed have been

excluded from these tables; the figures embrace, however, approximately 96 per cent. of the total number and net capital of estates upon which duty was paid in England.

The extraction of these details—a task of considerable magnitude—serves to throw light on the distribution of wealth in private hands. The capital paying estate duty each year constitutes a microcosm of the aggregate wealth in the hands of living individuals, subject to the qualification that only estates of deceased persons leaving net capital in excess of £100 come under our notice for purposes of estate duty. There are naturally minor variations from year to year in the distribution, among its various sub-divisions, of the aggregate capital paying duty, but subject thereto and to any abnormal changes arising from rapid movements in the rate of interest, the price level or other major factors, the statistics for any year furnish a fairly reliable picture of the broad relations existing between the various parts of the aggregate wealth in private hands, above the limit of £100 already mentioned.

The statistical tables are so full of detail that attention may be called to some of their salient facts. In round numbers, 100,000 estates paid duty in the year 1923-24. Estates upon which duty is paid in any financial year (ended March 31st) broadly correspond with the deaths occurring in the year ended on the previous December 31st. The total number of deaths in Great Britain in 1923 was 508,000, of which 378,000 were of persons aged 25 years and upwards. Roughly speaking, therefore, it may be said that one-fifth of the persons who died in that year left property liable to estate duty. A better comparison is obtained, however, by excluding from both factors cases in which the deceased was under the age of 25 years; on this basis the proportion of the number of liable estates to the number of deaths rises to 26 per cent., or rather more than one quarter.

Of the estates liable to duty, 40 per cent. were small estates paying a fixed duty of 30s. or 50s. A further 24 per cent. related to estates between the net capital values of £100 and £1,000, and a similar proportion between the values of £1,000 and £5,000. Estates exceeding £5,000 were thus only 12 per cent. of the total number. The aggregate net capital value of all estates amounted to nearly £442,000,000, of which 79 per cent. appertained to estates exceeding a net value of £5,000, and 21 per cent. to estates not exceeding that sum.

Of the total estate duty paid (in round figures £50,000,000), just over 4½ per cent. was levied in respect of estates not exceeding a net value of £5,000, and 3½ per cent. in respect of estates between £5,000 and £10,000; the balance of 92 per cent. of the duty was paid in almost equal proportions by estates falling within the following ranges: (a) £10,000 to £100,000; (b) £100,000 to £500,000; and (c) over £500,000. Dividing the total yield into four quarters, it arose, roughly speaking, as follows:—

- 25 per cent. from estates under £50,000;
- 25 per cent. from estates between £50,000 and £200,000;
- 25 per cent. from estates between £200,000 and £800,000;
- 25 per cent. from estates exceeding £800,000.

In every 100 estates of deceased persons, 58 were male and 42 female, but this proportion varied according to the age group of the deceased. Up to the age of 64 years, the proportion was 63 males to 37 females; for ages of 65 years upwards, the proportion was 54 males to 46 females. In the uppermost age group, for ages of 85 and upwards, the number of estates of females actually exceeded that of males.

In every £100 of capital paying duty the proportion of male to female ownership was 71 to 29, but this proportion varied with the description of property. For instance, the ownership of realty (including leaseholds) was divided in the ratio of 76 per cent. in male hands to 24 per cent. in those of women. Stocks and shares of all descriptions were shared in the ratio of 68 to 32 per cent., but the aggregate assets in the form of life insurance policy moneys were held as to 92 per cent. by men and only 8 per cent. by women.

The total capital may be divided up into free estate of the deceased, amounting to £362,000,000, and settled and other property amounting to £80,000,000. The free estate, i.e., the property of which the deceased was absolute owner, was about 86 per cent. of all the property in male hands, and 71 per cent. of that in the hands of women. Property settled otherwise than by the will of the deceased thus represented 14 and 29 per cent. respectively.

The Duties of an Executor.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London by

MR. J. LINAHAN,
INCORPORATED ACCOUNTANT.

The chair was occupied by Mr. J. ROBINSON, Incorporated Accountant.

MR. LINAHAN said: We are met here to-night to consider and discuss together certain aspects of what is to many accountants a rather gloomy subject. I hope, however, by concentrating on the practical side of our subject, as far as possible, that we may be able to avoid the dulness which so many complain of in connection with executorships.

If each member present will endeavour to imagine himself or herself suddenly called upon to act in the capacity of executor, I think that it will help to create a greater interest in the subject.

I propose to deal with certain of the principal duties, as far as possible, in the order in which I think they would arise. In the time at our disposal it will not, of course, be possible to deal fully with all the duties. I will therefore try to deal more fully with certain matters not very fully dealt with in the text-books, but which are likely to assume importance in practice.

I am going to assume that we are dealing with an estate of considerable size, consisting of house property and lands together with investments; also that under the terms of the will the income of the estate is to be paid to the testator's widow for life with remainder to his children absolutely in equal shares on her death.

DEALING WITH ESTATE.

On being notified of the testator's death the executor should at once communicate with the relatives, if any, and satisfy himself that they are making the necessary arrangements for burial of the deceased. Where there are no relatives who desire to arrange for the burial the executor will have to make the arrangements, but it is usual in practice for the relatives to relieve the executor of this his first duty.

He should obtain a copy of the will and codicils, if any, and satisfy himself that the original will and codicils, if any, are in proper custody; they will probably be in the hands of the solicitors.

He should arrange to attend at the testator's place of residence as early as possible, as there are a number of matters which will require his attention.

CASH IN HOUSE.

The cash in house should be counted in the presence of a relative or person interested in the estate if possible. The amount should be taken possession of by the executor, and a statement showing how it is made up, should be prepared and signed by the executor and the person in whose presence it was counted.

BOOKS OF ACCOUNT.

The deceased's books of account should be carefully examined, inquiry being made afterwards in order to see that the following documents are in proper custody:—

- (1) Deeds relating to the properties.
- (2) Certificates relating to the stocks and shares.
- (3) Any bearer bonds.

Usually these will all be in the hands of the deceased's bankers, but if any are not in proper custody they must be taken over by the executor and held by him until probate is obtained.

From his examination of the books the executor will note whether the estate comprises any assets of an unusual nature. As he has power to deal with the estate before obtaining probate in matters necessary for its protection he should take steps to see that such assets are in proper custody and that they are preserved until probate is obtained. Inquiry will be necessary as to the insurances of any assets which should be insured. In this connection it may be found, while policies of insurance have been taken out, that they are not in respect of sufficient amounts to cover the cost of replacing the assets

in the event of loss. Additional cover must therefore be obtained pending probate being obtained. After probate has been obtained the executor should arrange for the amounts covered by the policies to be increased, where necessary. When he registers probate with the insurance companies concerned he should request them to place endorsements on the policies as to the executor's interest in the insurances.

INVESTMENTS.

Lists of investments should be prepared from the books. Letters should be sent to the persons having custody of deeds and documents of title relating to the investments asking them to supply to the executor full particulars of all papers in their possession belonging to the deceased. When such particulars are received they should be checked with the lists of investments and inquiry made regarding any deeds or documents which are untraced.

REVERSIONS.

Where the deceased was entitled to absolute or contingent reversions it will be necessary to obtain full particulars and to decide in view of the nature of the reversions whether to elect to pay the estate duty on their value (as ascertained by an actuary in difficult cases) as at the date of the testator's death or defer payment of the duty until they fall into possession.

In any event, for aggregation purposes, a value will have to be placed upon the reversions.

It is usually better to defer paying the estate duty until the reversions fall in, as in certain cases the contingent interest may never materialise.

Where, however, the aggregate value of the estate slightly exceeds the maximum amount on which duty at a certain rate is payable the question of the marginal relief allowed in such cases assumes importance. If, for example, the aggregate value is £5,004, the duty payable, owing to the marginal relief allowance, will be £154, i.e., 3 per cent. on £5,000 plus £4. If the executor were to defer paying duty on the reversion in this case he would find that he would have to pay a larger amount of duty on the estate other than the reversion. This curious result would arise from the fact that as the aggregate value exceeds £5,000 the rate of duty is fixed at 4 per cent. If, then, the reversion were valued at £1,000, the amount payable in respect of the estate other than the reversion would be 4 per cent. on £4,004, i.e., £160.

This illustration shows the importance of first ascertaining whether there is likely to be any question of a claim for marginal relief before deciding as to whether it would be better to pay the estate duty on the value of the reversion at the date of the testator's death or defer payment until the interest falls into possession.

JEWELLERY, &c.

It will be the duty of the executor to see that any jewellery, plate and household goods, which form part of the estate are in proper custody. If these articles are specifically bequeathed he may assent to the legacy and should obtain the legatee's receipt, provided that he is satisfied that there will be no question of the legacy having to abate. It is advisable that an inventory be prepared of such articles in the presence of a relative of the deceased or person interested in the will, and that the inventory should be signed by the executor and the person in whose presence it is prepared. Where the inventory is likely to be a long one it is desirable that it should be prepared by a professional valuer in the presence of the executor and a relative of the deceased or a person interested in the will, if possible.

ESTIMATE OF INCOME.

At this stage it should be possible to make a rough estimate of what the widow's income is likely to be. The executor will usually be wise to prepare two estimates of income. The first will show the estimated income of a normal year; the second the estimated income for the first year succeeding the date of the testator's death. In both cases income tax should be deducted at the standard rate. The rents and dividends, &c., which reach the executor's hands during the first year of his office will usually require to be apportioned, the amount accrued up to the date of the testator's death being capital, and therefore credited to various asset accounts, while the balance will be credited to income account and, after deducting any debits to that account, will be payable to the widow as tenant-for-life.

For this reason the income of the first year will not be that of a normal one. It is, of course, possible for rents and dividends, &c., received in the second and subsequent years to relate partly to the period during which the testator was alive, but such receipts are not of frequent occurrence. Any amounts so received, however, must be apportioned on the same lines as those received during the first year.

Where the investments consist largely of ordinary shares it will be very difficult to estimate the income. For this reason the estimate should err on the safe side where necessary. Until he has obtained probate the executor will be unable to deal with the balance of the testator's bank account. It will therefore be necessary, in practice, in many cases for the widow to arrange a temporary loan from a banker. The executor may be required to produce his estimates of income before the banker will agree to lend the money.

VALUATIONS.

Professional valuations of all the testator's assets should be obtained, including his investments. In many cases the investments will consist, to some extent, of shares in companies which are not quoted on the Stock Exchange. It is therefore desirable to have a complete brokers' valuation of all the investments.

LIABILITIES.

From inquiries of the relatives, and from his examination of the books, it should be possible for the executor to prepare a list of the liabilities of the estate.

INLAND REVENUE AFFIDAVIT.

The Inland Revenue affidavit for estate duty can now be prepared. This document, which will have to be sworn by the executor, sets out particulars of the assets and liabilities of the estate. As soon as the net value of the personal estate is known arrangements should be made, usually with the deceased's bankers, for a temporary loan of a sufficient amount to pay the duty on the net personalty, as probate will not be granted until the estate duty on the net personal estate is paid. Until it is paid the executor cannot deal with the balance of the testator's bank account.

If the assets of the estate include Victory Bonds which have been held by the deceased for a period of six months prior to the date of his death it will be possible to surrender these at par in satisfaction or part satisfaction of the estate duty and interest payable. In practice it will usually be found that the bonds are in the custody of the deceased's bankers or a safe deposit company. The problem before the executor now is: How can he obtain possession of the bonds which he requires for payment of the duty? Until he obtains probate he has no right to demand that the banker or safe deposit company shall hand the bonds to him. In some cases he may be able to obtain the bonds by giving an indemnity. In others the only thing to be done is to pay the duty in cash and surrender the bonds afterwards, when the Revenue Authorities will usually refund the whole or part of the cash payment, as the case may require. They will, however, usually refuse to reopen the matter if no application for adjustment is made to them within a period of six months after the date of the testator's death. Where a large amount of duty is involved it is most desirable that Victory Bonds should be surrendered in payment; the market price being at present between 93 and 94. In addition to the market price the authorities will allow interest from the last date of payment of interest on the bonds until the date of transfer to them.

In addition to swearing as to the correctness of the Inland Revenue affidavit, the executor is required to swear that he will carry out the duties of his office well and faithfully. He must swear that the original will is the true and last will of the testator, as far as he is aware. In addition to the papers sworn, there will be required the Registrar's death certificate or an official certificate of burial and the valuations of the various assets. These are the documents to be sent to the estate duty authorities.

A few days after lodging the papers the executor will be notified of the amount of estate duty payable on the net personalty, and also of the interest on the duty at 4 per cent. from the day after the date of death. The total amount should be paid forthwith. If it had been arranged to surrender Victory Bonds in part payment it would be necessary to complete the appropriate form and deposit it

with the bonds on lodging the papers in the first instance. A certificate will be required from the deceased's bankers or other person qualified to give a certificate that the bonds had been held for the required period of six months previous to the date of death.

If all is found in order the executor will be notified accordingly, and will attend and take up the "Probate Act," generally known as the "Probate."

REGISTERING PROBATE.

The executor should proceed to register probate at once with the deceased's bankers in order that he may collect the balance as at the date of death, together with any further dividends, &c., which may have been collected by the banker on behalf of his deceased client. He should then repay the loan obtained to pay the estate duty, or as much of it as possible. If instructions had been given by the testator to the various companies and paying agents to pay the dividends due to him to his bankers it is likely that they will continue to receive moneys due to the estate for some time. The executor should, therefore, either arrange for the deceased's bankers to remit these dividends to him from time to time, or if he continues to keep the executorship banking account with the same bankers, instruct them to credit such dividends to the new account. It is essential that a bank account for the executorship should be opened. All the deeds, bearer bonds and certificates of stocks and shares should be placed in the custody of the bankers as soon as the registration of probate in the case of the stocks and shares has been completed. Any other important papers connected with the estate should also be placed in the bankers' hands for safe custody.

If there are any life policies on the testator's life the executor must proceed to register probate with the companies concerned and collect the moneys due to the estate. The various claim forms will have to be completed and a death certificate produced.

Registration of probate will then have to be effected in respect of any other moneys to which the estate is entitled, such as debts due to the deceased in certain cases. Every effort is necessary to "get in" the estate as quickly as possible.

ADVERTISING FOR CLAIMS.

Advertisements should be inserted in the *London Gazette* and at least one local paper asking for claims against the estate to be sent in to the executors within a stipulated period, usually one month from the date of the advertisement. This advertisement usually states that after the date specified the executor will proceed to pay the debts and distribute the estate without regard to any claims of which he has received no notice. If it is considered possible that money is owing in any foreign country, an advertisement should be inserted in a paper circulating in that country. The reason for advertising in this way is that an executor is presumed to know all about the affairs of his testator. If he does not advertise for claims he will be liable if he distributes the estate without providing for claims of which he has no notice. The effect of the advertisement is to relieve the executor of personal liability, but the right remains to the creditor who has not been paid to follow the assets into the hands of the beneficiaries.

SELLING INVESTMENTS.

The executor will now have to decide as to what stocks and shares, if any, will have to be sold in order to provide the money to pay the debts due by the deceased, the pecuniary legacies bequeathed by the will, and the various duties and costs. He must then register probate in respect of these stocks and shares, after which he will give the stockbrokers the necessary instructions to proceed with the sales.

DEALING WITH PROPERTIES.

Arrangements will require to be made for the collection of the rents of the various properties. If agents have been employed by the testator the executor will usually find it desirable to continue their employment.

In apportioning the rents received between capital and income care is necessary in order to see that Schedule A income tax is properly apportioned. When paid by tenants it will usually be deducted from the rents due in March and September, but will, of course, relate to the fiscal year and require to be apportioned accordingly.

The instructions, if any, contained in the will regarding the sale of freehold, leasehold and copyhold properties must be carefully noted and carried out as soon as possible without involving any sacrifice. The opinion of an expert property dealer should be obtained as to the values of the various properties and the best way of disposing of them. It is generally found that the best course to adopt is to offer the properties for sale by auction after fixing adequate reserve prices. Should they remain unsold as a result of the auction, efforts to effect a private sale should then be made through several firms of property dealers.

If there are wide powers of retention given by the will the executor must act with great care in cases where values are likely to appreciate on the expiration of leases granted by the previous owners or the testator. Cases frequently arise where testators are found to have purchased properties in popular districts with a view to re-selling them on the expiration of leases granted by previous owners. In order that the executor may secure for the benefit of the estate the increase in value it is usual for special powers to be given in the will, and it would be folly on his part to ignore them.

The executor should now proceed to register probate in respect of the stocks and shares which it is proposed to retain. If any dividend warrants have been forwarded addressed to the deceased they should be returned when registering probate with a request that they may be made payable to the executor.

PAYMENT OF DEBTS AND LEGACIES.

Steps should be taken to have the legacy duty assessed in respect of any legacies left by the testator which give rise to claims for legacy duty. The Inland Revenue Authorities will require to know the degree of relationship of the legatees to the testator before they can assess the duty. At the same time steps must be taken to identify the legatees. It is usual to ask them before receiving their legacies to sign a form of receipt on the back of the official legacy duty form, and their signatures should be witnessed by a banker, doctor, clergyman, solicitor, or accountant as identifying them.

The executor should next proceed to pay the debts due by the deceased and the legacies bequeathed to the various legatees. Where the gifts are not "free of legacy duty" he must be careful to deduct the duty before parting with the legacy. In the case of specific legacies he should write to the legatees for remittances on account of the duty before he parts with the legacies.

CORRECTIVE AFFIDAVIT.

When the registration of probate in respect of all the deceased's investments has been completed it is frequently found necessary to prepare a corrective affidavit, as in many cases it will be found that assets or liabilities at the date of death have been omitted, over-stated or under-estimated. If as a result of the various adjustments a return of estate duty is claimed on lodging the corrective affidavit, it will be necessary for the executor to swear to the figures. If, however, more duty is payable as a result of the various adjustments it will be sufficient for the executor to sign the account.

Colonial duty, corresponding to our estate duty, may be payable in respect of certain investments held by the testator in Canadian, Australian, South African and other Colonial companies. The necessary forms must be obtained and completed before the executor can sell the stocks and shares in these companies. In many cases they are supplied when application is made to have the probate registered.

Foreign duty may also be payable in respect of certain property owned by the testator, and the executor must take the necessary steps to have such duty paid.

When the corrective affidavit is lodged it will be necessary to claim any adjustments rendered necessary owing to the payment of Colonial and foreign duties. It is not possible, as a rule, in practice, to give effect to such adjustments in the original affidavit for estate duty, the required information not being available at the time.

The treatment of Colonial and Foreign duties is, of course, different, the former being treated as payments on account of British duty, subject to the proviso that if a higher rate of duty is paid in the Colony than in this country, only the rate of British duty paid on the property will be allowed. If, therefore, the Colonial rate is 15 per cent. and the British rate 12 per cent., the latter will be the rate allowed as a deduction from the

amount of British duty on the total estate. Foreign duties are allowed as deductions from the value of the property: in other words, they are treated as debts due from the estate. In this connection I would remind you that it is only in the case of certain Colonies that the duty paid therein is allowed as a deduction from the British duty. In the others the amounts paid are treated in the same way as foreign duties. In practice it is therefore necessary to make application to the authorities in order to ascertain how to deal with duties paid in a Colony.

FURTHER ESTIMATE OF INCOME.

It should now be possible for the executor to prepare a more accurate estimate of the income of the estate. As far as possible he should arrange to remit sums on account to the widow. It is not desirable, as a rule, to permit dividends to be paid direct to the life-tenant as this prevents the executor from knowing whether all the dividends have been duly paid. There is also a danger of bonuses in certain cases being paid to a life-tenant which, if they had first passed through the hands of the executor, might be found, on inquiry, to be capital and not income receipts from the estate point of view, although from the company's point of view they would be payable to the person entitled to the dividends.

PREPARATION FOR EXECUTOR'S ACCOUNTS.

The solicitors should be requested to send in their bills of costs in respect of any matters upon which they may have been employed. Having paid these costs and his own out-of-pocket expenses, the executor will be in a position to prepare his first accounts showing his transactions in the administration of the funds. In writing up the books of the estate the usual apportionments between capital and income required by the Apportionment Act, 1870, must be made, both in respect of receipts and payments. Other apportionments rendered necessary by case law will also require to be made. I do not propose, however, to deal with these to-night. The subject of apportionments is one which, I think, might well take up all the time at our disposal to-night. The object of these apportionments is to adjust the conflicting interests of life-tenant and remainderman, and to preserve the estate for successive life-tenants where it is of a wasting nature. Owing to the complexity of some of these equitable apportionments, and to the fact that often they do not really give effect to the testator's wishes, although presumed to do so, they are frequently "barred" in wills. The executor, therefore, who is fortunate enough to find a clause "barring" the application of some of these rules will have good reason to congratulate himself on being relieved of many involved calculations and much worry.

Where the will directs the executor to set aside any special funds and apply the income therefrom as directed by the will, he must see that these instructions are carried out as soon as possible.

ESTATE DUTY ON REAL PROPERTY.

The estate duty on real property is not payable until one year after the date of the testator's death, from which date interest will be charged at 4 per cent. per annum. Unless the amount of estate duty on the real estate is small, therefore, it is usual to defer payment until the end of the first year. Certain particulars are required to be lodged by the executor in the usual form regarding the real estate. At the option of the executor the duty may be paid in eight equal yearly or sixteen half-yearly instalments. Interest is charged from the date on which the first instalment became due at 4 per cent. per annum, with no deduction for income tax. Where the duty payable is a large amount the right to spread the payments over a period of years is a very valuable one. It will in many cases obviate the necessity of a forced sale in order to raise the money. Until the instalments are all paid the executor must be careful not to pay out all the income to the life-tenant; he should retain sufficient to meet the outstanding interest on the unpaid duty. The executor must bear in mind that, subject to any instructions in the will, the real estate must bear its own duty. Another point to be borne in mind is that when real property is sold the outstanding duty thereon must be paid at once. Although no deduction is allowed in respect of income tax on interest on estate duty, I understand that the authorities are now prepared to make an allowance for super tax purposes of the amount of interest paid "brought to gross." Thus, if the amount paid in

respect of interest was £310 in a year during which income tax was at the rate of 4s. 6d. in the £, a deduction of £400 could be claimed in arriving at the life-tenant's income for super tax purposes.

EXECUTOR'S YEAR.

Except in difficult cases it is usual for all the various duties I have dealt with to be completed during the executor's year, i.e., the year following the date of the testator's death. During this period it is expected that the assets will be collected, the debts and legacies paid, and the residue ascertained. With certain exceptions legatees are not entitled to interest on their legacies unpaid until after the end of the executor's year. From this date interest is allowed at 4 per cent. per annum, and must be paid whether there is any income or not. The executor should not delay the payment of legacies until the close of the year, but should, in practice, pay them as soon as he possibly can.

INCOME TAX.

On the expiration of the first year the executor should take steps to claim any refund of income tax to which the estate may be entitled. I understand that it is now the practice of the authorities to require the income received during the portion of the last fiscal year in which the testator was alive to be aggregated with the income received by the executor during the remainder of that year. The aggregated amount is then divided up on the basis of the ratio between the respective periods and the total period covered. The amounts to be treated as the incomes of the testator and the life-tenant respectively are thus ascertained and the adjustment of the various allowances to which both parties are entitled will then be a simple matter. Each party's income when computed on these lines is, as far as allowances are concerned, treated as if it were a full year's income.

RESIDUARY ACCOUNT.

The residuary account should now be prepared in the required form. The object of this account is to ascertain the legacy duty payable in respect of the residue. Where the net estate for probate purposes does not exceed £15,000 in value no legacy or succession duty is payable by a widow or children. Assuming in the case under our notice, however, that the total net estate exceeded this figure it would be necessary to prepare the account in the usual form. As the estate passes to the children of the testator on the death of the widow it is presumed that the executor will elect to pay legacy duty at 1 per cent. on the capital value of the estate, as computed for the purpose of the residuary account. The effect of this will, of course, be to deprive the life-tenant of the income which would have been earned on the capital sum required to pay the duty.

In order to arrive at the amount on which the residuary duty is payable it will be necessary to add together the following:—

- (1) The proceeds of real and personal property sold, together with all income less outgoings in respect of such properties up to the date of the account.
- (2) The unrealised estate other than real property and leaseholds revalued as at the date of the account. In the valuation of the estate the same principles would be adopted as when valuing the estate for probate.
- (3) The value of real property and leaseholds directed by the will to be sold but not yet sold.
- (4) Accrued income not brought into account in the values placed upon assets such as mortgages, stocks and shares, &c.

Certain deductions are allowed to be made from the total of the foregoing items in respect of the following:—Probate or administration expenses (including estate duty), funeral expenses, executorship expenses, debts due by the deceased (including any amounts still unpaid), legacies (including any sums retained to pay outstanding legacies), interest on estate duty, mortgages, pecuniary legacies and annuities.

In practice it will be found in many cases that the amount on which residuary duty is payable will equal the sum of the credit balances of the capital and income accounts plus any appreciation or less any depreciation in the book value of the investments revalued as on the date of the account.

Succession duty will be payable on the value of real property and leaseholds not directed by the will to be sold. The rates are, of course, the same as those for legacy duty, but any mortgage created on the property may be deducted and also the estate duty paid on the property, together with the cost of raising and paying it.

After payment of the legacy and succession duties in respect of the residue has been completed the executor should ascertain from the estate duty authorities that there are no other claims for duty against the estate. The usual form of letter should be obtained from them stating that there are no outstanding claims. Any further outstanding costs or valuers' fees should now be paid and the residue invested for the benefit of the widow.

ACCOUNTS.

It should now be possible to prepare complete accounts showing all the various dealings with the estate and the present position. In practice the accounts will take the following form as a rule:—

- (1) Balance-sheet.
- (2) Capital account.
- (3) Income account.

(4) Statement of dealings with the estate, showing in columnar form the estate at the date of the testator's death, together with all realisations, losses and profits on realisation, accrued interest received, and the book values at the date of the balance-sheet.

It is also desirable that a statement of receipts and payments on account of capital should be appended. This account, which will, of course, be in summarised form, is of great assistance to beneficiaries and solicitors, and although not essential from an accountant's point of view it is usually well worth the trouble involved in its preparation.

A copy of the accounts should be sent to the widow and her written approval obtained after they have been fully explained to her. If possible, it should be arranged that the next accounts, which will not of course be so complicated, should be sent to her at the end of the following half-year, and the practice of preparing half-yearly accounts maintained throughout the period for which the trust continues.

VARYING INVESTMENTS.

From time to time it may be desirable in the interests of the beneficiaries to exercise the power given in the will as to changing investments. In some cases it will be possible to secure a higher income. In others it may be desirable to sell high-yielding short-dated securities and re-invest at a lower rate, but with a prospect of such lower rate continuing for a large number of years, to the ultimate benefit of the life-tenant and remaindermen.

If the life-tenant is resident abroad as defined by the Inland Revenue Authorities it may be possible to benefit her considerably by investing in stocks and shares upon the dividends from which British income tax may be recovered. This, however, is a matter which will require very careful consideration. Much will depend on the yield from existing stocks, &c., and the terms of the investment clause in the will. In practice, the written consent of the beneficiaries should be obtained before any changes of investments are made, even though this may not be legally necessary under the terms of the will.

PROCEDURE ON DEATH OF LIFE-TENANT.

On the death of the widow the executor will have to supply to her executor a statement showing the accrued income due to her estate up to the date of her death. He should not, however, pay the amount over until probate of her will or letters of administration to her estate have been produced to him.

Estate duty will be payable on the trust funds passing on the widow's death. They must all be valued as at the date of her death. In order to ascertain the rate of duty payable it will be necessary, as a rule, for the widow's own property to be aggregated with the trust funds. Duty at the rate thus ascertained must be paid out of the trust funds. If, therefore, the widow's own property is of considerable value a very high rate of duty will be payable out of the trust funds. If legacy duty at 1 per cent. had been paid on the death of the original testator on the capital value of the residue, it is unlikely that

there will be any further legacy duty payable by the remaindermen, they being the children of the testator. Inquiry should be made as to whether the Inland Revenue Authorities make any claims for further duties of any kind. If there are no such claims a certificate to that effect should be obtained in the usual form. If, however, legacy duty was paid on the value of the widow's life-interest, further legacy or succession duty will be payable on the capital value of the residue should the children's share exceed the limits laid down in the Finance Act, 1910.

It is important to note that the legacy or succession duty payable on the widow's death must be charged to the individual accounts of the remaindermen. It would not be correct to pay the duties as a general charge and then divide up the balance in the proportions in which the children are interested.

This draws attention to the fact that in some cases it might be unfair to certain beneficiaries if the legacy duty at 1 per cent. on the capital value of the residue were paid in the first instance. If, therefore, it were proposed to adopt this course and large sums were involved it would be desirable first of all to obtain the approval of the beneficiaries. The difficulty will, of course, be that some of them will probably be minors. For this reason it is often better to pay on the value of the widow's life interest in the first instance.

GENERAL.

There are doubtless many more duties which will fall to the lot of the executor, but I think I have said enough about them to show that the office is not one to be lightly undertaken.

In view of the onerous nature of the duties to be performed you will all agree, I am sure, that the executor deserves the legacy which the thoughtful testator always leaves him. It seems very unfair that, with the exception of the Public Trustee who has a statutory power to charge, the executor is not entitled in the absence of a clause in the will to any remuneration for his services. He can, however, employ agents to do work which he himself cannot reasonably be expected to do, and he is entitled to a refund of out-of-pocket expenses incurred by him. If he is a solicitor or accountant he need not do work which a non-professional executor would not be able to do, but may employ others. If, however, he does the work himself he can only charge his out-of-pocket expenses.

The executor is often faced with problems requiring great patience and tactful treatment. Not infrequently he is at first regarded by the beneficiaries as an interloper. This is perhaps only natural in many cases and can usually be overcome by careful attention on his part and by preserving a strictly impartial attitude towards the conflicting interests of life-tenants and remaindermen.

Discussion.

Mr. W. A. WESTACOTT MANATON: I should like to ask the Lecturer what rate of legacy duty would be paid in the case of an adopted son?

Mr. LINAHAN: An adopted son, being a stranger in blood, would, of course, pay the ordinary 10 per cent. rate.

Mr. NEAL: When the estate duty is paid in eight yearly or sixteen half-yearly instalments, is the interest payable on the balance outstanding after taking into consideration the instalments paid, or on the total amount?

Mr. LINAHAN: The interest is worked out over the period which the payments cover, taking into account the various payments that are made from time to time.

Mr. C. E. WAKELING: I am sure we have all listened to a very interesting lecture on a very complicated subject, and one that causes a lot of trouble during our period of professional experience. I am rather sorry myself that the Lecturer did not deal with the apportionments, because I think they are even more complicated than the duties themselves. There is one question I would like to ask in relation to the liability of an executor. Mr. Linahan mentioned the case of payments made to a widow. I am assuming it is an estate comprising, among other securities, War loan, and that the tax was not deducted from the interest on the War loan before receipt. The executor pays the money to the widow beneficiary, who reclaimed payment of income tax from the Revenue Authorities

on the ground that the payment was under a deed and that no assessment should be made upon her. I presume the executor is liable for the income tax. If he has to pay it in a subsequent year, is he entitled to deduct it out of subsequent funds of the estate?

Mr. LINAHAN: Do I understand that the tax related to income accrued during the testator's lifetime or after his death?

Mr. WAKELING: After his death.

Mr. LINAHAN: The executor, of course, is liable. The authorities look to him for payment of the tax. Personally, I think he would be entitled to deduct it out of the income of the following year.

Mr. WAKELING: There have been several decisions to the effect that if Schedule A tax is not deducted from the next payment of rent it cannot be deducted subsequently.

Mr. LINAHAN: Those decisions apply to Schedule A, but they have not yet been extended to Schedule D.

Mr. SCOTT MOORE: I should like to ask a question, although not on a matter with which the Lecturer dealt, yet connected with the duties of an executor. In the case of a copyhold property, the life-tenant was admitted to the court roll, and ultimately died, and the property passed to the remainderman in the ordinary course. The remainderman would have to pay the fines and fees of the lord of the manor, but he does not wish to do so. He wants the property disposed of, but it is not convenient to dispose of it owing to the state of the market. What power has the executor either to postpone getting the remainderman admitted or for the disposal of the property compulsorily?

Mr. LINAHAN: If the will gives him power to postpone indefinitely, no question would arise. The case you are mentioning, I take it, is a case where there is no case of definite power.

Mr. SCOTT MOORE: No, none whatever; but in any case I do not think that would apply against the custom of the manor.

Mr. LINAHAN: If the life-tenant is dead and the estate is divisible to the remainderman, the executor is, of course, entitled to his release, and he probably would insist on having it. If I were in that position, I should insist upon it, and leave the remainderman to pay the fees.

Mr. SCOTT MOORE: That is to say, either get him admitted or dispose of the property.

Mr. LINAHAN: Yes.

Mr. W. D. MENZIES: I should like to ask what is the position of an executor with regard to trusts and executorships in the hands of the deceased? I am assuming a case where the assets were in the hands of the deceased. Would the new executor have to take all the responsibility of the offices held by the deceased?

Mr. LINAHAN: An executor in the ordinary course succeeds to the trusts and executorship in the hands of the deceased. If he acts as executor or intermeddles in the matter of the estate, he is bound to continue to act in these trusts and executorships unless the parties interested agree to discharge him.

Mr. MENZIES: Could it be arranged for the Public Trustee to take over the other trusts and executorships?

Mr. LINAHAN: It could be arranged with the consent of the persons interested, who would, of course, have to pay the fees of the Public Trustee. If they objected to the Public Trustee or some other trustee being appointed, I think the executor would have to continue.

Mr. H. ROSE: Under the doctrine of the admission of assets, if an executor pays a beneficiary under a will, he is supposed to have admitted that he had sufficient assets to pay the liabilities of the estate. Supposing he afterwards finds out that he has not sufficient assets, he is personally liable to pay the debts. Can he go to the beneficiary to recover any amount so paid, or payable, by him?

Mr. LINAHAN: In the case mentioned, unless an amicable settlement can be arrived at, the executor is in an exceedingly awkward position. Cases have arisen in which the executor

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has had to go to the Court, to place the facts before the Court and have what is generally known as a "whitewash" given to his action. If the Court was satisfied that the executor was entitled to relief, it would probably grant the relief, but it would be an exceedingly awkward and expensive business.

Mr. WESTACOTT MANATON: In the case of carrying on a business, supposing a deceased had left two separate properties—a business and some other property—and the executor carried on the business, which resulted in a loss, could he fall back on the other part of the estate to meet the loss?

Mr. LINAHAN: The answer to that question is that an executor is personally liable if he carries on a business, but he is entitled to be indemnified out of the general estate if the will authorises him to carry on the business. This, of course, means that he could recoup himself out of the remaining part of the estate.

Mr. W. A. BUSH READ: I should like to put one question to the Lecturer. Let us suppose a case in which the executor is allowed under the will to invest moneys in other than trustee securities, and he does so, using income for that purpose. He buys some shares in a company about which he has some inside information, and within about three months of making the investment he is able to realise those shares at a handsome profit, which he distributes amongst the beneficiaries. I should like to know whether that profit is capital or income?

Mr. LINAHAN: In that case the profit would probably be considered a capital profit. If, however, it could be shown that the executor deliberately held up the income of the life-tenants, say, for a number of years, it would be open to them to sue him. But assuming that it is the ordinary accruing income during the year which has been invested, there is no doubt that the profit would be a capital profit belonging to the estate and not to the life-tenants.

Mr. BUSH READ: Following upon that, supposing the beneficiaries knew how the profit was made and accepted the profit, would that affect the executor in any way as regards income tax which the beneficiaries might be called upon to pay, but refused, saying that the income so received was capital?

Mr. LINAHAN: From the Inland Revenue point of view the income which has been invested represents income profits. I do not think that the life-tenants would be able to convince the Inland Revenue that they were not income. As regards the remaindermen, the profit made on selling the investments would be a capital profit and not liable to income tax.

The CHAIRMAN: We have had an extremely good lecture to-night, and Mr. Linahan has covered a tremendous amount of ground. I am always interested in executorship lectures, because the subject is one of interest to accountants who may now be bordering on the workhouse door, like many other professional people—(laughter)—but some day, perhaps, we shall be able to make a will and pass on our property, if any, without all these complications.

A vote of thanks to the Lecturer was proposed by Mr. OWLETT, seconded by Mr. SUTHERLAND, and carried unanimously, and a similar vote was accorded the Chairman for presiding.

INSTITUTE OF BOOK-KEEPERS.

The President and Council of this Institute will give a Reception at the New Princes' Galleries, Piccadilly, on Thursday, September 17th next, to inaugurate the Winter Session. Among those who have accepted invitations to be present are Mr. George R. Freeman, President of the Institute of Chartered Accountants, Mr. George Stanhope Pitt, President of the Society of Incorporated Accountants and Auditors, and Mr. J. W. Stack, President of the Chartered Institute of Secretaries, who will address the members of the Institute during the course of the evening. The arrangements are in the hands of Mr. H. J. Eldridge, F.S.A.A., Secretary of the Institute of Book-keepers.

ACCOUNTANT OFFICERS, ROYAL AIR FORCE.

Examination of Candidates for Commissions.

The Air Ministry announces that an examination of candidates for commissions as Accountant Officers will be held in the latter part of September, 1925, under the scheme inaugurated in 1924 for entry into the commissioned ranks of the accountant branch of the Royal Air Force.

The number of vacancies to be filled immediately from this examination will probably be about twelve, and further appointments will be made at a later date to fill vacancies arising between this competition and that of next year.

Candidates must be between 22 and 26 years of age on October 1st, 1925, but an extension up to 30 years of age may be granted in certain circumstances on the ground of previous service in the Forces.

Applications, which must be made on the prescribed form obtainable from the Secretary, Air Ministry, Kingsway, London, W.C.2, should reach that Department not later than August 15th, 1925. Applications received after August 31st, 1925, will not be accepted in any circumstances.

The examination will be held in London, and will comprise:—

- (1) An interview before a Selection Board.
- (2) A written examination in English and general knowledge.
- (3) A written examination in accountancy.

The written examination, for which a fee of £4 is payable, is conducted by the Civil Service Commissioners and will be held shortly after the interview. Part (2) of the examination will require no special preparation and will consist of essay writing and *précis* and questions to test the candidate's knowledge of matters of general interest. Part (3) will consist of book-keeping and accountancy, excluding partnership accounts and executorship accounts, the standard being that of the Final examinations of the Institute of Chartered Accountants and of the Society of Incorporated Accountants and Auditors.

Copies of the papers set at the examination for Accountant Officers held in September, 1924, may be obtained from His Majesty's Stationery Office, Imperial House, Kingsway, London, W.C.2; price 1s. 6d. net.

Candidates who from their application forms appear to be suitable will be invited to appear for interview by the Selection Board, and those who are passed by the Selection Board, and also by a medical board, will be admitted to the written examination.

Appointments will be offered to candidates according to the marks obtained in the competition. Successful candidates will be appointed as pilot officers on probation, and on satisfactory completion of a two months' period of instruction will be posted to a unit for accountant duties. At the end of twelve months' service they will, if their service has been satisfactory in all respects, be confirmed in their appointment and promoted to the rank of flying officer. Promotion beyond this rank will be by selection within an approved establishment.

The emoluments of Accountant Officers, which consist of a basic rate plus allowances, amount under present scales to £403 0s. 5d. (single) and £418 4s. 7d. (if married and eligible for married allowances) for a pilot officer, rising according to rank and length of service to £787 15s. 10d. (single) and £810 12s. 1d. (married) for a wing-commander—the highest rank in the accountant branch for which provision is at present made.

The detailed regulations and necessary forms of entry may be obtained on application to the Secretary, Air Ministry (S.7), Kingsway, London, W.C.2.

The Dominion Association of Chartered Accountants will hold its 23rd annual meeting at Banff, Alberta, on September 1st, 2nd and 3rd next.

District Societies of Incorporated Accountants.

LIVERPOOL.

ANNUAL MEETING.

The annual meeting was held at the Reform Club on July 17th. The meeting was preceded by tea at the invitation of the Committee. There were 34 members present, including Mr. Charles Tunnington (retiring President), Mr. Chas. R. Whitnall, Mr. T. T. Plender, Mr. C. M. Dolby and the Hon. Secretary (Mr. Alexander Hannah).

The report and accounts for the past year were approved and adopted. The retiring President (Mr. Tunnington) addressed the meeting on the events and activities of the Society during the 1924-25 session, and referred to the series of lectures delivered by Professor Lyon Blease on legal subjects, and by Mr. P. Taggart, F.S.A.A., on accountancy subjects. He stated the Committee wished to record their appreciation of the facilities placed at their disposal by the Reform Club in connection with the lectures and meetings.

They were indebted to the Hon. Secretary (Mr. Hannah) for having attended the annual meeting of the Parent Society and the conference of representatives of the District Societies in London.

OFFICERS AND COMMITTEE.

Mr. Charles R. Whitnall was elected President for the ensuing year, and Mr. A. E. Noon was elected Vice-President; Mr. C. M. Dolby and Mr. E. S. Goulding were re-elected Hon. Treasurer and Hon. Auditor respectively; Mr. Alan Standing and Mr. Frederick Coombes were re-elected to fill the vacancies on the Committee, and Mr. J. C. Summerskill was elected to fill the position of Student member on the Committee.

Report.

LECTURES.

The following lectures have been given by Professor Lyon Blease:—1924: October 8th and November 5th, "Company Law"; December 3rd, "Bankruptcy Law." 1925: January 7th, "Partnership Law"; February 4th, "The Law relating to Trustees and Executors"; March 4th: "Rights and Duties of Receivers." The following lectures have been given by Mr. P. Taggart, F.S.A.A.:—1924: October 16th, "Profit and Capital Circulation"; November 20th, "Working Capital in relation to Depreciation, Sinking and other Funds"; December 18th, "Capital and Suspense Expenditure." 1925: January 22nd, "Distribution of Profit," "Financial and Legal Considerations"; February 19th, "Revenue Analysis and Accounting Control"; March 19th, "Other Accounting Controls."

The attendance at the lectures was not always as satisfactory as your Committee desire, and it is hoped that more members will support them in the future. The Committee wish to place on record their appreciation of the facilities placed at their disposal by the Reform Club in connection with the lectures, &c.

LIBRARY.

Moderate use has been made of the library. The Committee would welcome suggestions from the members as to what books they require.

ANNUAL DINNER.

The annual dinner was held on Friday, October 24th, 1924, at the Exchange Hotel, and was a great success. Amongst the guests who attended were the Lord Mayor, Mr. G. S. Pitt (the President of the Parent Society), His Honour Judge Thomas, Mr. R. P. Dickson (Manager, Midland Bank, Liverpool), Mr. Leo John Keena (United States Consul), Mr. Walter Moon (Town Clerk), Mr. Stuart Deacon (Stipendiary Magistrate), Mr. H. Sadler (Senior Inspector of Taxes, Liverpool), Mr. L. A. P. Warner (General Manager and Secretary, M.D. & H.B.), Mr. R. D. Cripps (Registrar, Liverpool Court of Passage), Mr. W. H. S. Oulton (Assistant Recorder of Liverpool), Mr. Garrett (Secretary, Parent Society), Mr. E. D. Symond (Official Receiver), Mr. C. E. Finney (President, Liverpool Society of Chartered Accountants), Mr. F. J. Burns (Chairman, Chartered Institute of Secretaries), Mr. Arthur Piggott (Secretary, Manchester Local Society).

PARENT SOCIETY.

The Hon. Secretary attended the Annual Meeting of the Parent Society and the conference of representatives of local Societies in London on behalf of this Society.

MEMBERSHIP.

The membership is now 98, made up of 58 full members and 40 student members. The Committee once again desire to urge upon all local Incorporated Accountants and students the importance of membership of this Society.

COMMITTEE.

The following members of Committee retire: Mr. Alan Standing, Mr. R. Duncan French, Mr. F. Coombes. Mr. Standing and Mr. French are eligible and offer themselves for re-election. Mr. Coombes ceases to be eligible as a student member, and offers himself for election as a full member. The students will be invited to choose one of their number to represent them on the Committee in place of Mr. Coombes.

FINANCE.

The financial statement for the year is annexed. The Committee acknowledge, with gratitude, the grant made by the Parent Society.

SOCIAL.

One or two golf matches against H.M. Inspectors of Taxes were played during the year and were greatly enjoyed by all who took part. A bogey competition was also played amongst our own members.

SOUTH WALES AND MONMOUTHSHIRE.

Annual Report.

The annual general meeting of the Society was held on Thursday, August 14th, 1924, when Mr. G. E. S. Heybyrne was unanimously elected President for the coming year and Mr. F. J. Alban unanimously elected Vice-President.

The following members of the Committee, who, in accordance with Rule 5, retired, but offered themselves for re-election, were unanimously re-elected:—Mr. F. J. Alban, F.S.A.A. (Cardiff), Mr. R. Wilson Bartlett, F.S.A.A. (Newport), Mr. J. P. Griffiths, F.S.A.A. (Cardiff). The retiring member for the district west of the eastern boundary of Port Talbot, Mr. H. Edwards, was unanimously re-elected. The representatives of the Student Sections for Cardiff and Newport on the District Committee were also re-elected, viz: Mr. P. A. Hayes, A.S.A.A. (Cardiff), Mr. C. T. Stephens, A.S.A.A. (Newport). The re-election of the representatives of the Swansea Students' Section was left over pending their nomination, and eventually Mr. Thomas Mills, F.S.A.A. (Swansea), was elected.

LECTURES.

With the object of obtaining closer co-operation between the District Society and the various students' sections a combined syllabus of lectures was arranged this year. Seven lectures were arranged by the District Society, six by the Cardiff Students' Section, five by the Newport Students' Section and twelve by the Swansea Students' Section. It was realised that, owing to distance, it was not possible for the Swansea students to attend the Cardiff and Newport meetings, and they, therefore, found it advisable to arrange considerably more lectures for themselves than the other two sections. The attendances were much more satisfactory than in the previous year, but it is hoped that even better numbers will attend during the coming session.

Mr. J. M. Fells, C.B.E., F.S.A.A., a member of the Parent Council and one of the Examiners of the Society, delivered a lecture on "Accountancy as an Aid to the Solution of Civic Problems," which was one of the outstanding successes of the session.

All the other lectures delivered were quite up to the high standard which the District Society has established.

ANNUAL MEETING OF PARENT SOCIETY.

Mr. Alban (the Vice-President of the District Society), Mr. Brinley Bowen and the Hon. Secretary attended the annual meeting of the Parent Society in London in May. Mr. Brinley Bowen and the Hon. Secretary attended the conference of representatives of District Societies the following day, when they brought forward the following questions:—

(1) The question of grants from the Parent Society to District organisations.

(2) The whole question of the relationship between the District Societies and the Parent body.

It has been decided to hold this conference half-yearly instead of yearly, with a view to giving the District organisations an opportunity of getting into closer touch with the Parent body.

EXAMINATIONS.

The District Society was not able to have the use of the Assembly Hall in the Technical College this year for the May examination, although they had been able to have it for the November 1924 examination, but through the kind offices of Mr. Allcock they were able to obtain the use of the lesser hall at the City Hall. The accommodation was much appreciated, and the thanks of the District Society are due to the Corporation for placing the room at their disposal.

The members of the Committee of the District Society acted as presiding officers at the various sessions.

South Wales was again represented in the Honours list, Mr. Vernon Howard Lewis, of Borough Treasurer's Office, Newport, securing the third place in the Intermediate examination, May, 1925.

The following successes were gained by local candidates:—November, 1924—Final, 5 passed; Intermediate, 7 passed; Preliminary, 6 passed. May, 1925—Final, 11 passed; Intermediate, 8 passed; Preliminary, 10 passed.

REPRESENTATIVE ON THE PARENT COUNCIL.

Owing to the lamented death of Major Gwilym Arnold Evans, who had for many years represented the District Society on the Parent Council, there was a vacancy on that body, and your Committee took immediate steps to ensure representation for the District Society. Mr. Leyshon's name was submitted, and he was unanimously elected, and we are sure that the interests of the District Society and of the student members on whose behalf Mr. Leyshon has always been such an indefatigable worker, will always be safe in his hands.

ANNUAL DINNER OF THE DISTRICT SOCIETY.

The annual dinner took place on March 26th at the Royal Hotel, Cardiff. The President of the Society (Mr. George Stanhope Pitt) and Mrs. Pitt very kindly came down to attend the function, as also did Mr. Claridge, of Bradford, a Past President of the Society.

The Lord Mayor of Cardiff, the Mayor of Newport, the Town Clerk of Swansea, the chairman of the Monmouthshire and South Wales Coal Owners' Association, representatives of the Institutes of Chartered Accountants and Chartered Secretaries, and a number of influential members of the various learned professions and industrial concerns were present, together with a representative gathering of members of the Society.

PRESIDENTIAL BADGE.

Prior to the dinner a meeting of the Committee of the District Society was held, when a badge, which had been specially designed and executed for the District Society, was handed to the President (Mr. G. E. S. Heybyrne).

ANNUAL CONFERENCE OF THE SOCIETY AT LEEDS AND BRADFORD.

The President and a number of the members of the District Society and their ladies attended the annual conference of the Parent Society at Leeds and Bradford in October last, when they were extended a very hearty welcome.

LIBRARY.

The Society's library is being kept up-to-date. A detailed catalogue of the books at Cardiff, Newport and Swansea has been prepared and is enclosed with this report. Further additions will be notified from time to time in the form of addenda slips, which it is hoped members will paste into the existing catalogue.

CARDIFF STUDENTS' SECTION.

At the annual meeting of this section, held on May 30th, the following officers were elected:—Chairman, Mr. A. Percy Horton, A.S.A.A.; Vice-Chairman, Mr. D. H. Husband, A.S.A.A.; Joint Hon. Secretaries, Mr. Percy A. Hayes, A.S.A.A., and Mr. J. Alun Evans. Mr. Hayes was also nominated as the students' representative on the District Committee.

The session under review can, it is believed, be reasonably regarded as one of the most successful for many years.

The lectures given generally covered the syllabus of the Parent Society's examination, and the enthusiasm and interest taken in the meetings was much more apparent during this year than it has been for some time. The attendances, comprising mainly the younger students, were on an average of 20-25 per meeting, and in one or two instances these figures were exceeded. The students feel deeply indebted to the gentlemen who so kindly gave of their time and labour in preparing and delivering lectures.

The social side was not overlooked, and as a result of the work of the chairman and Mr. E. Holbrook, the hon. secretaries of the sports section, two football matches between the Cardiff and Newport students were played during the year, followed on each occasion by a smoking concert and an excellent musical programme.

Mr. W. R. King (the librarian) has been very active during the session, and the library is to be brought more up-to-date by the purchase of latest editions of various text-books, &c. The students are indebted to the District Committee for their kindness.

NEWPORT STUDENTS' SECTION.

The Newport students' section has had a very successful session for 1924-25, both as regards students' meetings and debates, and in its extension of activities to sport and the arranging of outings.

The officers for the year were: Chairman, Mr. C. T. Stephens, A.S.A.A.; Committee, Mr. E. L. Pritchard, Mr. J. D. R. Jones, A.S.A.A., Mr. F. J. Notley, A.S.A.A.; Hon. Secretary, Mr. W. Thomas.

An average of twelve attended the meetings, but there is still room for improvement in the 1925-26 period. The reading of short papers by students as distinct from the seniors was the most popular feature in the meetings, and it is intended to follow the same idea next session.

Prizes.—At the first meeting of the session Mr. R. Wilson Bartlett again presented prizes to students for papers and discussion in the 1923-24 session, the recipients being Mr. Pritchard, Mr. Fisher and Mr. W. Thomas. Mr. Bartlett was thanked for this sign of his continued interest in the student section.

SWANSEA STUDENTS' SECTION.

The second annual general meeting was held at the Guildhall, Swansea, on September 24th, when the accounts were presented and the following officers appointed:—President, Mr. G. Brinley Bowen, F.S.A.A.; Vice-President, Mr. R. A. Wetherall, F.S.A.A.; Hon. Secretary, Mr. T. O. Morgan, A.S.A.A.; Committee, Mr. W. H. Ashmole, F.S.A.A., Mr. W. H. Charles, A.S.A.A., Mr. H. Edwards, F.S.A.A., Mr. T. T. Griffiths, A.S.A.A., Mr. J. T. Lewis, Mr. J. T. Nicholas, A.S.A.A., Mr. G. A. Watkins; Representative on District Committee, Mr. T. Mills, F.S.A.A.; Hon. Librarians, Mr. H. Atkins and Mr. T. J. Wellington; Hon. Auditor, Mr. Lewis Chegwidan; Hon. Treasurer, Mr. A. W. Sleeman, A.S.A.A.

The thanks of the section were accorded to Mr. W. H. Ashmole, M.B.E., F.S.A.A. (the retiring President), for his efforts in forming the section and for his continued interest in its affairs.

During the session the competitions for (a) Prize Essay and (b) the best contributions to discussions were again held, and this phase of the section's activities is proving very helpful. In the prize essay competition the subject chosen was "Balance Sheets," two prizes being offered. The first prize was awarded to Mr. D. J. Charles, B.A. (W. H. Charles, Llanelly), the second prize being divided between Mr. H. Atkins (Borough Treasurer's Office, Swansea) and Mr. G. M. Squire (Ashmole, Edwards & Goskar, Swansea). The "Discussion" prize was awarded to Mr. D. J. Charles, B.A.

The interest of the members generally has been maintained, and we have had an average attendance of 25 during the session out of a total membership of 62.

On May 22nd the annual dinner was held at the Hotel Metropole, Swansea. Mr. G. Brinley Bowen, F.S.A.A., in the chair, supported by the Deputy Mayor of Swansea (Alderman T. A. Lovell), Mr. G. E. S. Heybyrne, F.S.A.A. (President of the District Society), Mr. P. H. Walker, F.S.A.A. (Hon. Secretary of District Society), Mr. R. A. Wetherall, F.S.A.A., Mr. H. Edwards, F.S.A.A., Mr. W. H. Charles, A.S.A.A., and about 40 members.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

University Honours.

We are pleased to note that Mr. John Dunlop Imrie, B.Com., F.S.A.A., who was recently appointed City Chamberlain of Edinburgh, has obtained the degree of M.A. of Edinburgh University with First Class Honours in Economic Science.

Vacancy in Scottish Council.

At a meeting of the Scottish Council the resignation of Mr. Arthur Batty, A.S.A.A., H.M. Inspector of Taxes, was intimated. Mr. Batty has been transferred to Melton Mowbray. On the motion of Mr. B. T. Dunlop, F.S.A.A., Glasgow, the Scottish Council placed on record their regret at Mr. Batty's removal from the district, and their appreciation of his services on the Scottish Council and Glasgow Students' Committee.

An Arbitration Point.

In a recent Glasgow case between a firm of contractors and the Glasgow Corporation, the Sheriff Substitute at Glasgow was asked to appoint a sole arbiter in terms of a contract between the parties. The work had been completed in 1918, and a dispute had arisen with reference to whether the measurer in calculating the sum due to them had adhered to the contract, modified subsequently by war conditions. The defence was that the pursuers had not made their claims specific, and therefore the Corporation refused to concur in the appointment of an arbiter. The Sheriff Substitute took the view of the defenders, and dismissed the action. The Second Division of the Court of Session, however, has sustained an appeal, recalled the Sheriff Substitute's interlocutor, and remitted to him to appoint an arbiter, on the ground the details need not be furnished until called for by the arbiter.

Delivery of Documents.

An interesting case was disposed of on a reclaiming note by the First Division relating to the custody of documents held by the trustees of a deceased solicitor. This gentleman died in 1915, leaving a trust disposition and settlement, in which he nominated the defenders, the members of a legal firm in Edinburgh, as his trustees and executors. The estate was wound up and the assets distributed with the exception of the business books and other documents which were in the deceased's office. The pursuer, a brother, who was the residuary legatee, and an American citizen, sued the trustees for delivery. The action was resisted on the ground that the will did not specifically carry these confidential papers, many of them relating to clients of the deceased, in favour of the legatee. Lord Blackburn dismissed the action, but on appeal the First Division found for the pursuer. The Lord President stated that the residuary legatee was the sole and only person entitled to have these books and documents, and the Court ordered them to be handed over to him at once.

Income Tax—Capital or Revenue Expenditure?

The First Division of the Court of Session recently disposed of an appeal at the instance of the Inspector of Taxes, Glasgow, against a decision of the General Commissioners for the Lower Ward of Lanarkshire regarding an assessment on a firm of furniture dealers in Glasgow, under Case I, Schedule D, of the Income Tax Acts, in respect of the profits of the business carried on by them. The point at issue was whether a payment of £1,150 to obtain the renewal of a lease was capital or revenue expenditure, and if the latter what proportion should be allowed annually as a charge against the profits. The Commissioners allowed £154 to be taken into the accounts annually during the currency of the lease. The Division sustained the Inspector's appeal and recalled the deliverance of the Commissioners. The Lord President said the respondents were in business in Glasgow, and the lease of their premises expired at Whit Sunday, 1921. The owner of the premises refused any renewal of the lease unless a payment of £1,150 was made to him in cash. If he received

this sum he would agree to a five years lease. This sum was ultimately paid to the owner, and the lease was renewed at the old rent of £397. The question in the case related to the proper adjustment for purposes of income tax of the trading accounts of the business. The respondents claimed that in addition to the rent they were entitled to add one-fifth of the premium of £1,150 paid to obtain renewal of the lease. The Inland Revenue did not dispute the rent, but objected to the addition of one-fifth of the premium. After referring to the relevant sections of the Income Tax Acts, his Lordship said he was unable to answer the question of whether the expenditure of £1,150 was a capital or revenue expenditure otherwise than that it was a capital expenditure. The case appeared to be rather a hardship on the respondents, and he had arrived at the conclusion he had expressed with some reluctance. It was nothing new to find taxing statutes, however much they were devised to avoid inequalities and, indeed, inequities, were never quite effective for that purpose.

Notes on Legal Cases.

BANKRUPTCY.

Re Collins.

Rights of Trustee as regards Future Payments to Bankrupt Mortgagor.

Where a bankrupt has mortgaged commissions which he expected to receive for personal services, those in which the bankrupt had done all that was required of him under his contract at the date of the receiving order fell within the clause of the Bankruptcy Act, 1914, sect. 38, and those in which he had not completed his contract at that date, but subsequently completed his work under the direction of the trustee in bankruptcy, were contracts performed by the trustee for which he was entitled to receive remuneration.

(Ch.; (1925) 60 L.J.N., 535.)

REVENUE.

Rex v. General Commissioners of Income Tax.

Assessment of Limited Liability Company by General Commissioners.

Where a limited liability company trading within the jurisdiction and therefore subject to English income tax is assessed to income tax on the basis of the average of three years profits, the statutory powers of the General Commissioners of Income Tax are not excluded by the fact that in the year of assessment there may have been actually a loss instead of a profit.

(K.B.; (1925) 69 S.J., 606.)

Collins v. Firth Stainless Steel Company.

Profits or Gains of Business.

The Court of Appeal allowed this appeal from a decision of Rowlatt (J.) (reported in *Incorporated Accountants' Journal*, April, at p. 194).

The short point was whether a company formed to acquire and dispose of patents is assessed to income tax upon profits made by buying and selling such patents, or whether profits so made can be treated as capital assets of the company.

It was held that the profits were not annual profits but were an accretion to capital and should not be included in the assessment.

(C.A.; *The Times*, June 27th, 1925.)

Rex v. Swansea Income Tax Commissioners.

Three Years Average and Loss in Year of Assessment.

The General Commissioners of Income Tax are authorised by statute to decide whether there has been a loss on the year's trading for the purpose of assessment under the Income Tax Act, 1918, Schedule D, Case I, and the Court cannot entertain an inquiry thereon.

(K.B.; (1925) 60 L.J.N., 510.)